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Letter dated 15 October 2002 from the Secretary-General addressed to the President of the Security Council

I have the honour to refer to the statement by the President of the Security Council dated 19 December 2001 (S/PRST/2001/39), whereby the Security Council renewed for a period of six months the mandate of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of the Congo. The Council requested the Panel to submit to it an interim report after three months, followed by a final report at the end of its mandate. I refer also to the letter dated 12 July 2002 from the President (S/2002/763), by which the Security Council extended the mandate of the Panel until 31 October 2002.

I have the honour to transmit to you the final report of the Panel, which was submitted to me by its Chairman, Mr. Mahmoud Kassem. This independent report comprises an evaluation of the situation on the ground and the Panel's observations on the illegal exploitation of the natural resources of the Democratic Republic of the Congo. I should be grateful if you would bring the report to the attention of the members of the Security Council.

(*Signed*) Kofi A. **Annan**

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Annex

Letter dated 8 October 2002 from the Chairman of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of the Congo addressed to the Secretary-General

[Original: English]

In accordance with the statement of the President of the Security Council (S/PRST/2001/39) dated 19 December 2001 and the letter dated 12 July 2002 addressed to you by the President of the Council, the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of the Congo is pleased to submit its report for transmission to the President of the Security Council.

(*Signed*) Mahmoud **Kassem**
Chairman
Panel of Experts on the Democratic Republic of the Congo

Final report of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of the Congo

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I. Introduction

1. The Security Council, in a statement by its President dated 19 December 2001 (S/PRST/2001/39), requested the Secretary-General to renew for six months the mandate of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of the Congo, and asked the Panel to submit both an interim and a final report. The new mandate stipulated that the reports should include the following:

(a) An update of relevant data and an analysis of further information from all relevant countries, including in particular from those which thus far had not provided the Panel with the requested information;

(b) An evaluation of the possible actions that could be taken by the Council, including those recommended by the Panel in its report (S/2001/357) and the addendum thereto (S/2001/1072), in order to help bring to an end the plundering of the natural resources of the Democratic Republic of the Congo, taking into account the impact of such actions on the financing of the conflict and their potential impact on the humanitarian and economic situation of the Democratic Republic of the Congo;

(c) Recommendations on specific actions that the international community, in support of the Government of the Democratic Republic of the Congo, might take, working through existing international organizations, mechanisms and United Nations bodies, to address the issues in the report and its addendum;

(d) Recommendations on possible steps that might be taken by transit countries as well as end-users to contribute to ending illegal exploitation of the natural resources and other forms of wealth of the Democratic Republic of the Congo.

2. The Security Council also stressed the importance of the Panel's maintaining a high level of collaboration with all the Congolese players, governmental as well as non-governmental, throughout the national territory.

3. The Panel submitted to the Security Council an interim report (S/2002/565) on 22 May 2002. At the request of the Council, the Panel responded in writing to questions and comments from Council members regarding the interim report and the Panel's ongoing work. Prior to presenting its interim report, and at the request of the head of the Security Council mission to the Great Lakes region, the Panel travelled to Pretoria on 28 April to brief the mission's members.

4. To orient its work under the current mandate, the Panel developed two successive plans of action, which were transmitted to the Council. Under these plans, fact-finding focused on diamonds, gold, coltan, copper, cobalt, timber, wildlife reserves, fiscal resources and trade in general.

5. The Panel determined that a central focus of its work should be gathering information about politically and economically powerful groups involved in the exploitation activities, which are often highly criminalized. As a result, the Panel developed the central concept of the elite network (outlined in section II) as an operational thesis.

6. In organizing its investigations, the Panel divided the Democratic Republic of the Congo into three areas, namely, the Government-controlled area, the Rwanda-controlled area and the Uganda-controlled area. These descriptors are based on the identity of the actors that constitute the three principal networks involved in the exploitation. The Panel also concluded that each of these three areas, while conforming to the Panel's understanding of the elite networks, featured substantive variations.

7. The Panel obtained information from a wide variety of sources, including from Governments (civilian and military representatives), intergovernmental organizations, non-governmental organizations, businesses and private individuals. Owing to the nature of its mandate, gaining access to information has been difficult. Nevertheless, the Panel collected well-substantiated and independently corroborated information from multiple sources. These knowledgeable sources provided documents and/or eye-witness observations. It is this type of information — consisting mostly of documentary evidence — that the Panel has relied on its report.

8. The Panel has operated under a reasonable standard of proof, without recourse to judicial authority to subpoena testimony or documents. It obtains information from sources on a strictly voluntary basis. Furthermore, the Panel has made every effort to fairly and objectively evaluate the information it has gathered.

9. Throughout its work, the Panel has paid close attention to the evolution of the peace process in the

Democratic Republic of the Congo, as well as that in neighbouring Burundi. The Lusaka Ceasefire Agreement of 1999 and the Arusha Agreement on Peace and Reconciliation, of 2000, served as important points of reference for its work. The Sun City, Pretoria and Luanda Agreements have also informed the Panel's work.

10. The Panel was composed as follows:

Ambassador Mahmoud Kassem (Egypt), Chairman
Jim Freedman (Canada)
Mel Holt (United States of America)
Bruno Schiemsky (Belgium)
Moustapha Tall (Senegal).

11. Two part-time technical advisers, Gilbert Barthe (Switzerland) and Patrick Smith (United Kingdom of Great Britain and Northern Ireland), also served with the Panel. In addition, two political officers, an administrator and a secretary assisted the Panel.

II. Change in tactics by elite networks

12. The regional conflict that drew the armies of seven African States into the Democratic Republic of the Congo has diminished in intensity, but the overlapping microconflicts that it provoked continue. These conflicts are fought over minerals, farm produce, land and even tax revenues. Criminal groups linked to the armies of Rwanda, Uganda and Zimbabwe and the Government of the Democratic Republic of the Congo have benefited from the microconflicts. Those groups will not disband voluntarily even as the foreign military forces continue their withdrawals. They have built up a self-financing war economy centred on mineral exploitation.

13. Facilitated by South Africa and Angola, the Pretoria and Luanda Agreements have prompted the recent troop withdrawals from the eastern Democratic Republic of the Congo. Welcome as they may be, these withdrawals are unlikely to alter the determination of Rwanda and Zimbabwe, and Ugandan individuals, to exercise economic control over portions of the Democratic Republic of the Congo. The departure of their forces will do little to reduce economic control, or the means of achieving it, since the use of national armies is only one among many means for exercising it. All three countries have anticipated the day when pressure from the international community would make it impossible to maintain large forces in the Democratic Republic of the Congo. The Governments of Rwanda and Zimbabwe, as well as powerful individuals in Uganda, have adopted other strategies for maintaining the mechanisms for revenue generation, many of which involve criminal activities, once their troops have departed.

14. The Uganda People's Defence Forces continue to provoke ethnic conflict, as in the past, clearly cognizant that the unrest in Ituri will require the continuing presence of a minimum of UPDF personnel. The Panel has evidence that high-ranking UPDF officers have taken steps to train local militia to serve as a paramilitary force, directly and discreetly under UPDF command, which will be capable of performing the same functions as UPDF. There will be little change in the control that Ugandans now exercise over trade flows and economic resources. As UPDF continue to arm local groups, only less conspicuously than before, the departure of Ugandan armed forces is unlikely to alter economic activities by those powerful individuals in the north-eastern Democratic Republic of the Congo.

15. Like UPDF, and under pressure from its closest allies, Rwanda has started withdrawing. It has prepared for withdrawal by putting in place economic control mechanisms that do not rely on an explicit presence of the Rwandan Patriotic Army. It has replaced Congolese directors of parastatals with businessmen from Kigali to ensure continuing revenue from water, power and transportation facilities. It has replaced local currency with Rwandan currency. RPA battalions that specialize in mining activities remain in place, though they have ceased wearing RPA uniforms and will continue the activities under a commercial guise. The Panel's sources have reported that RPA recently undertook an operation to obtain a large number of Congolese passports so as to give an appropriate identity to RPA officers who continue to be stationed at strategically important sites in the Democratic Republic of the Congo.

16. The Panel has learned of other tactics for disguising the continuing presence of an armed force loyal to Rwanda. Reliable sources have reported an initiative by the Chief of Staff of the Armée nationale congolaise, Major Sylvain Mbuki, to reorganize the RCD-Goma forces in order to accommodate large numbers of RPA soldiers inside ANC units and local defence forces made up of pro-Rwanda elements. Most of the ANC units have had RPA leadership for some

time, and now, with this reorganization, a significant number of RPA soldiers will be integrated into the ANC rank and file. Instead of departing for Rwanda, large numbers of Rwandan Hutus serving in RPA have been provided with new uniforms and assigned to ANC brigades as Congolese Hutu. Rwanda has diverted attention from those soldiers staying in the Democratic Republic of the Congo by drawing particular attention to those who depart. Ceremonies have been held at points of re-entry. In fact, the number of soldiers who have left the Democratic Republic of the Congo is so far only a portion of the total number of RPA troops in the eastern Democratic Republic of the Congo, which various sources estimate at between 35,000 and 50,000. Simultaneously with the RPA troop withdrawals, Rwandan officials have repatriated to North Kivu thousands of Congolese Tutsi refugees under duress from the camps around Byumba and Kibuye Provinces in Rwanda. Schools in the Rwandan camps have remained closed and some camp structures have been razed to encourage further repatriations. All the Panel's sources have also suggested that this movement could be part of the new tactic for maintaining Rwanda's presence in the eastern Democratic Republic of the Congo.

17. Although troops of the Zimbabwe Defence Forces have been a major guarantor of the security of the Government of the Democratic Republic of the Congo against regional rivals, its senior officers have enriched themselves from the country's mineral assets under the pretext of arrangements set up to repay Zimbabwe for military services. Now ZDF is establishing new companies and contractual arrangements to defend its economic interests in the longer term should there be a complete withdrawal of ZDF troops. New trade and service agreements were signed between the Democratic Republic of the Congo and Zimbabwe just prior to the announced withdrawal of ZDF troops from the diamond centre of Mbuji Mayi late in August 2002.

18. Towards the end of its mandate, the Panel received a copy of a memorandum dated August 2002 from the Defence Minister, Sidney Sekeramayi, to President Robert Mugabe, proposing that a joint Zimbabwe-Democratic Republic of the Congo company be set up in Mauritius to disguise the continuing economic interests of ZDF in the Democratic Republic of the Congo. The memorandum states: "Your Excellency would be aware of the wave of negative publicity and criticism that the DRC-Zimbabwe joint ventures have attracted, which tends to inform the current United Nations Panel investigations into our commercial activities." It also refers to plans to set up a private Zimbabwean military company to guard Zimbabwe's economic investments in the Democratic Republic of the Congo after the planned withdrawal of ZDF troops. It states that this company was formed to operate alongside a new military company owned by the Democratic Republic of the Congo.

19. At the same time, local militias and local politicians have supplemented the role that State armies previously played in ensuring access to and control of valuable resources and diverting State revenue. The looting that was previously conducted by the armies themselves has been replaced with organized systems of embezzlement, tax fraud, extortion, the use of stock options as kickbacks and diversion of State funds conducted by groups that closely resemble criminal organizations.

20. Such activities have become increasingly prominent in the techniques of exploitation in the Democratic Republic of the Congo. The Panel has identified three distinct groups engaged in activities in three different areas and refers to them as elite networks. These elite networks have control over a range of commercial activities involving the exploitation of natural resources, diversion of taxes and other revenue generation activities in the three separate areas controlled by the Government of the Democratic Republic of the Congo, Rwanda and Uganda, respectively.

21. The Panel has identified the following elements that are common to all of the elite networks and that are essential to understanding the nature of the exploitation carried out by these networks in the Democratic Republic of the Congo:

- The networks consist of a small core of political and military elites and business persons and, in the case of the occupied areas, selected rebel leaders and administrators. Some members of the elite networks occupy key positions in their respective Governments or rebel groups.
- Members of these networks cooperate to generate revenue and, in the case of Rwanda, institutional financial gain.

- The elite networks ensure the viability of their economic activities through control over the military and other security forces that they use to intimidate, threaten violence or carry out selected acts of violence.
- The networks monopolize production, commerce and fiscal functions.
- The elite networks maintain the facade of rebel administrations in the occupied areas to generate public revenues that they then divert into the networks, thereby depleting the public treasury.
- The elite networks derive financial benefit through a variety of criminal activities including theft, embezzlement and diversion of "public" funds, undervaluation of goods, smuggling, false invoicing, non-payment of taxes, kickbacks to public officials and bribery.
- The elite networks form business companies or joint ventures that are fronts through which members of the networks carry on their respective commercial activities.
- The elite networks draw support for their economic activities through the networks and "services" (air transport, illegal arms dealing and transactions involving the natural resources of the Democratic Republic of the Congo) of organized or transnational criminal groups.

III. Government-controlled area

22. The elite network of Congolese and Zimbabwean political, military and commercial interests seeks to maintain its grip on the main mineral resources — diamonds, cobalt, copper, germanium — of the Government-controlled area. This network has transferred ownership of at least US$ 5 billion of assets from the State mining sector to private companies under its control in the past three years with no compensation or benefit for the State treasury of the Democratic Republic of the Congo.

23. This network benefits from instability in the Democratic Republic of the Congo. Its representatives in the Kinshasa Government and the Zimbabwe Defence Forces have fuelled instability by supporting armed groups opposing Rwanda and Burundi.

24. Even if present moves towards peace lead to a complete withdrawal of Zimbabwean forces, the network's grip on the richest mineral assets of the Democratic Republic of the Congo and related businesses will remain. Zimbabwe's political-military elite signed six major trade and service agreements in August 2002 with the Government of the Democratic Republic of the Congo. Reliable sources have told the Panel about plans to set up new holding companies to disguise the continuing ZDF commercial operations in the Democratic Republic of the Congo and a ZDF-controlled private military company to be deployed in the country to guard those assets.

The elite network

25. The elite network in the Government-held area comprises three circles of power, namely, Congolese and Zimbabwean government officials and private businessmen. Chief figures in the Congolese branch of the network are the National Security Minister, Mwenze Kongolo, a shareholder and deal-broker for both diamond and cobalt ventures; the Minister of Presidency and Portfolio, Augustin Katumba Mwanke, a former employee of Bateman's mining company in South Africa and a key power broker in mining and diplomatic deals; the President of the State diamond company, Société minière de Bakwanga (MIBA), Jean-Charles Okoto; the Planning Minister and former Deputy Defence Minister, General Denis Kalume Numbi, a stakeholder in the lucrative Sengamines diamond deal and in COSLEG; and the Director General of Gécamines, Yumba Monga, pivotal in facilitating several asset-stripping joint ventures between the State mining company and private companies.

26. The Congolese branch also includes active, but less visible members. Frédéric Tshineu Kabasele is a director of three joint ventures with Zimbabwe using the COSLEG platform — the diamond trading Minerals Business Company, the logging company SOCEBO and the First Banking Corporation Congo. The Director of the National Intelligence Agency, Didier Kazadi Nyembwe, has oversight of many of the private commercial operations and has been linked by several sources to arms supplies for Burundi opposition groups and Mayi-Mayi groups in Maniema and South Kivu. COSLEG, a Congo-Zimbabwe joint stock company, remains a key vehicle for military-backed

commerce involving mostly diamonds, banking and timber in the Government-held areas. The Technical Director of COSLEG, Mfuni Kazadi, specializes in the writing of joint venture contracts to accommodate the private interests of the elite network.

27. The key strategist for the Zimbabwean branch of the elite network is the Speaker of the Parliament and former National Security Minister, Emmerson Dambudzo Mnangagwa. Mr. Mnangagwa has won strong support from senior military and intelligence officers for an aggressive policy in the Democratic Republic of the Congo. His key ally is a Commander of ZDF and Executive Chairman of COSLEG, General Vitalis Musunga Gava Zvinavashe. The General and his family have been involved in diamond trading and supply contracts in the Democratic Republic of the Congo. A long-time ally of President Mugabe, Air Marshal Perence Shiri, has been involved in military procurement and organizing air support for the pro-Kinshasa armed groups fighting in the eastern Democratic Republic of the Congo. He is also part of the inner circle of ZDF diamond traders who have turned Harare into a significant illicit diamond-trading centre.

28. Other prominent Zimbabwean members of the network include Brigadier General Sibusiso Busi Moyo, who is Director General of COSLEG. Brigadier Moyo advised both Tremalt and Oryx Natural Resources, which represented covert Zimbabwean military financial interests in negotiations with State mining companies of the Democratic Republic of the Congo. Air Commodore Mike Tichafa Karakadzai is Deputy Secretary of COSLEG, directing policy and procurement. He played a key role in arranging the Tremalt cobalt and copper deal. Colonel Simpson Sikhulile Nyathi is Director of defence policy for COSLEG. The Minister of Defence and former Security Minister, Sidney Sekeramayi, coordinates with the military leadership and is a shareholder in COSLEG. The Panel has a copy of a letter from Mr. Sekeramayi thanking the Chief Executive of Oryx Natural Resources, Thamer Bin Said Ahmed Al-Shanfari, for his material and moral support during the parliamentary elections of 2000. Such contributions violate Zimbabwean law.

29. In June 2002, the Panel learned of a secret new ZDF diamond mining operation in Kalobo in Kasai Occidental run by Dube Associates. This company is linked, according to banking documents, through Colonel Tshinga Dube of Zimbabwe Defence Industries to the Ukrainian diamond and arms dealer Leonid Minim, who currently faces smuggling charges in Italy. The diamond mining operations have been conducted in great secrecy.

30. Among the businessmen in the elite network, a Belgian national, George Forrest, pioneered the exploitative joint venture agreements between private companies and Gécamines. Mr. Forrest owes his commercial ascendancy to his long-standing ties to the establishment in the Democratic Republic of the Congo. One of his companies also makes and markets military equipment. Since 1994, he has owned 100 per cent of New Lachaussée in Belgium, which is a leading manufacturer of cartridge casings, grenades, light weapons and cannon launchers. In a flagrant conflict of interest, Mr. Forrest was appointed Chairman of Gécamines from November 1999 to August 2001 while his private companies negotiated new contracts with the explicit intention of using Gécamines' assets for personal gain. During that time he built up the most wide-ranging private mining portfolio in the Democratic Republic of the Congo. He benefits from strong backing from some political quarters in Belgium where some of his companies are based. His operations have been strongly criticized (one Belgian diplomatic cable referred to Mr. Forrest running a "strategy of attrition" in the mining sector of the Democratic Republic of the Congo) and have recently come under the scrutiny of the Belgian Senate's investigation into resource exploitation in the Democratic Republic of the Congo.

31. The techniques used by Mr. Forrest have since been replicated by Zimbabwean-backed entrepreneurs John Arnold Bredenkamp and Mr. Al-Shanfari. Mr. Bredenkamp, who has an estimated personal net worth of over $500 million, is experienced in setting up clandestine companies and sanctions-busting operations. Mr. Al-Shanfari has gained privileged access to the Government of the Democratic Republic of the Congo and its diamond concessions in exchange for raising capital from some powerful entrepreneurs in the Gulf such as Issa al-Kawari who manages the fortune of the deposed Amir of Qatar. Also working with ZDF is a convicted criminal based in South Africa, Nico Shefer, who has arranged for Zimbabwean officers to be trained in diamond valuation in Johannesburg. Mr. Shefer's company, Tandan Holdings, has a 50 per cent stake in Thorntree

Industries, a joint venture diamond-trading company with ZDF.

32. Zimbabwean Billy Rautenbach headed a joint venture cobalt-mining company and was Chief Executive of Gécamines from November 1998 to March 2000. Although stripped of his cobalt concessions in Katanga, Mr. Rautenbach told the Panel that the Government of the Democratic Republic of the Congo had offered his company, Ridgepointe International, mining rights to Gécamines concessions at Shinkolobwe, which include substantial deposits of uranium, copper and cobalt. Mr. Rautenbach's representatives said that any new agreement would be subject to the new mining code of the Democratic Republic of the Congo and any uranium mining operations would be open to inspections by the International Atomic Energy Agency.

33. Such high levels of mineral exploitation would be impossible without the collusion of highly placed government officials who provide mining licences and export permits in return for private gain. The Panel has compiled extensive documentation of such facilitations. For example, in its attempts to buy rights to the Kolwezi Tailings, First Quantum Minerals (FQM) of Canada offered a down payment to the State of $100 million, cash payments and shares held in trust for Government officials. According to documents in the possession of the Panel, the payments list included the National Security Minister, Mwenze Kongolo; the Director of the National Intelligence Agency, Didier Kazadi Nyembwe; the Director General of Gécamines, Yumba Monga; and the former Minister of the Presidency, Pierre-Victor Mpoyo. The FQM share offer to those officials was premised on a sharp rise in its share price once it was announced that it had secured some of the most valuable mineral concessions in the Democratic Republic of the Congo.

34. The Panel has documents showing that three "clans" of Lebanese origin, who operate licensed diamond businesses in Antwerp, purchased diamonds from the Democratic Republic of the Congo worth $150 million in 2001, either directly through Kinshasa or through *comptoirs* in the Republic of the Congo. The three "clans" — Ahmad, Nassour and Khanafer — are distinct criminal organizations that operate internationally. Their activities, known to intelligence services and police organizations, include counterfeiting, money-laundering and diamond smuggling. Several credible sources have reported that the clans also have ties with Amal and Hezbollah. Some businesses associated with the clans are Sierra Gem Diamonds, Asa Diam, Triple A Diamonds and Echogem. A group linked to the clans operations is providing counterfeit United States dollars to former generals from the time of President Mobutu, who are trying to overthrow the Government of the Democratic Republic of the Congo.

Strategies and sources of revenue

35. The Panel has identified five strategies for generating revenues for the elite network through diamond, copper and cobalt mining companies. The network coordinates its operations between its political, military and business wings to generate maximum income.

Asset stripping of State mining companies

36. The richest and most readily exploitable of the publicly owned mineral assets of the Democratic Republic of the Congo are being moved into joint ventures that are controlled by the network's private companies. These transactions, which are controlled through secret contracts and off-shore private companies, amount to a multi-billion-dollar corporate theft of the country's mineral assets. Some 30 businessmen, politicians and military officers are the main beneficiaries of the arrangements. The elite network has been trying to legitimize such corporate theft and market these assets to legitimate international mining companies.

37. The Panel has now obtained documentary evidence that Mr. Al-Shanfari's company, Oryx Natural Resources, is being used as a front for ZDF and its military company OSLEG. Sengamines claims an 800 square kilometre concession, just south of Mbuji Mayi, carved out of the concession of the Société Minière de Bakwanga. According to company officials, Sengamines' diamond concessions would be worth at least $2 billion if they were put into full production.

38. Sengamines claimed that it had reconfigured its equity after a failed attempt to be listed on the London Stock Exchange in June 2000, as follows: 49 per cent for Oryx Natural Resources, 35 per cent for COMIEX-Congo, and 16 per cent for MIBA. The Panel has learned that this purported buyout never happened. It was a device to disguise the close association between

Sengamines and ZDF, and to deceive international investors. ZDF, through OSLEG, owns the 49 per cent of Sengamines that is publicly claimed by Oryx. In the course of a meeting held on 1 August 2000, OSLEG nominated Oryx to hold its 49 per cent interest in Sengamines; 35 per cent is held by COMIEX-Congo, and 16 per cent has been allocated to MIBA.

39. Tremalt Ltd., represented by Mr. Bredenkamp, holds the rights to exploit six Gécamines concessions containing over 2.7 million tons of copper and 325,000 tons of cobalt over 25 years. Tremalt paid the Government of the Democratic Republic of the Congo just $400,000, but the estimated worth of the six concessions exceeds $1 billion. The joint venture running the concession is the Kababankola Mining Company, in which Tremalt has an 80 per cent share to Gécamines' 20 per cent. Under this agreement, the Panel has learned that Gécamines derives no direct financial benefit. Although Tremalt representatives told the Panel that they have invested $15 million to date, there are no signs of substantial investments having been made on the concessions, nor has any schedule of investment in the form of a business plan been released to Gécamines.

40. Like Oryx, Tremalt insists that its operations are not linked to ZDF or the Government of Zimbabwe. However, the Panel has obtained a copy of the confidential profit-sharing agreement, under which Tremalt retains 32 per cent of net profits, and undertakes to pay 34 per cent of net profits to the Democratic Republic of the Congo and 34 per cent to Zimbabwe. This profit-sharing agreement was the subject of a confidential memorandum from the Defence Minister, Mr. Sekeramayi, to President Mugabe in August 2002. Tremalt also undertakes to provide the Congolese and Zimbabwean militaries with motor vehicles, trucks, buses and cash payments as necessary. These are to be subtracted from the two countries' part of the profit share. A forum has been established between Tremalt and ZDF to plan strategy in the Democratic Republic of the Congo and "look after the interests of the Zimbabweans". Meeting monthly, the forum's main members are General Zvinavashe, Brigadier Moyo, Air Commodore Karakadzai, Mr. Bredenkamp, the Managing Director of KMC, Colin Blythe-Wood, and the Director of KMC, Gary Webster.

41. Gécamines officials told the Panel that the National Security Minister of the Democratic Republic of the Congo, Mwenze Kongolo had pressured their negotiators to agree to the joint venture contract despite its negative implications for the State company's finances. The ultimate owners and beneficiaries of Tremalt are hidden behind a web of trusts and private holding companies registered in the British Virgin Islands and the Isle of Man to whose records the Panel was not allowed direct access.

Control of procurement and accounting

42. Management control is essential to the elite network's strategy for extracting maximum revenue from the joint ventures. Much of the revenue from the joint ventures is off the balance sheet in overpriced subcontracting and procurement arrangements with companies and individuals linked to the network. The two biggest Zimbabwe-Democratic Republic of the Congo joint ventures — Sengamines and KMC — are declaring huge losses.

Enterprise General Malta Forrest and Groupe George Forrest

43. Groupe George Forrest (GGF) in partnership with the United States-based OM Group currently runs one of the most profitable mining operations from the Democratic Republic of the Congo with only the most marginal benefit for the State mining company, Gécamines. Through this venture, the Scories du Terril de Lubumbashi (STL), also known as the Big Hill Project, Mr. Forrest and OM Group have secured access to a copper and cobalt stockpile which contains over 3,000 tons of germanium, a rare metal used in optical fibres, infrared lenses and telecommunication satellites. This stockpile, formerly the property of Gécamines, has a current market value of more than $2 billion. Although the shareholdings for the STL project are divided between OM Group (55 per cent), GGF (25 per cent) and Gécamines (20 per cent), the State company has been expressly excluded from the revenues derived from the germanium processing.

44. Gécamines officials complain that OM Group and GGF have deliberately ignored the agreed technical plan for the STL project, which provided for two electric-powered refineries and a converter to be built adjacent to the copper and cobalt stockpile. This would have meant that all the germanium would have been processed within the Democratic Republic of the Congo, and Gécamines would have been entitled to a revenue share. Instead the semi-processed ore is

shipped to OM Group's plant in Finland where the germanium is extracted. The former Chairman of Gécamines, Mr. Forrest, whose construction companies built the STL project, has declined to intervene on behalf of the State company. Gécamines has rejected an offer by OM Group to cede the State company just 5 per cent of the revenues from the germanium processing in Finland.

45. Mr. Forrest has used his position in the elite network in an attempt to control the mining sector in the Democratic Republic of the Congo, according to several reliable sources. For example, the Kinross Gold Corporation of Canada had sought to invest up to $1 billion in copper and cobalt mining operations, but was thwarted by interventions from Mr. Forrest and senior Government officials. The company returned to the Democratic Republic of the Congo late in 2001 as part of Kinross-Forrest Ltd., a company registered in the British Virgin Islands. A smaller Belgian-based company, Madsa, obtained the support of the World Bank and the United Nations Industrial Development Organization for a $20 million development package to build processing plants to service the mining sector: a smelter, an acid manufacturing plant and a cement factory. Mr. Forrest and his business allies have opposed this development, in part, it seems, because it would cut their profits from the current overpriced procurement contracts.

Tremalt Ltd. (John Bredenkamp)

46. Tremalt's 80 per cent stake in KMC gives it management control over day-to-day administration and longer-term strategic decisions about exploiting the concession. Tremalt also procures equipment for ZDF and the Congolese Armed Forces (FAC), the cost of which it deducts from their share of KMC profits. Although Ridgepointe International, run by Mr. Rautenbach, the previous foreign investor in the Kababankola concessions, had to operate with much more dilapidated processing plants, it generated more than $20 million profit within 18 months of taking over. Industry analysts say that Tremalt's claimed losses of more than $13 million from February 2001 to July 2002 are not credible.

Organized theft

47. FAC and ZDF officers who controlled security at the main joint venture sites have been involved in and facilitate high levels of theft from production. Reliable sources have informed the Panel that managers in several companies, with support from the members of the elite network, collude in these thefts.

48. The State-owned Société minière de Bakwanga diamond company has been plundered by a management that condones widespread theft by company insiders. Three theft rings operate in the MIBA compound known as the *polygone*. The first of these rings was organized and operated by 48 Zimbabwean soldiers who had been stationed at five different locations throughout the large mining site. Zimbabwe military personnel allow groups of people to enter the *polygone* and dig for diamonds, and in exchange receive compensation in the form of money and diamonds.

49. A second theft ring is operated by the Brigade Minière or provincial mining police, who are trained to guard the mine. Previously sacked for theft, Brigade Minière Commander Mushitu has returned to the force. In exchange for protection, the Commander receives sacks of diamond-rich gravel. However, the diamond diggers are often caught in exchanges of fire between the Brigade Minière and the Zimbabweans in their efforts to control the diamond thefts.

50. These losses are probably modest compared to the losses from a third theft ring that involves high-level MIBA managers and occurs inside the cleaning, sorting and classification operation facility. The thefts include gem and near-gem production. About 50 per cent of all company revenues are generated by the 3 to 4 per cent of gem and near-gem production. The drop in revenues resulting from theft has been estimated at about 25 per cent of total revenue, roughly 25 million dollars per annum. Under pressure from its creditors, MIBA was obliged to engage the services of a private security firm, Overseas Security Services, which determined that a criminal syndicate was operating inside the classification operation.

Using the corporate facade as a cover for criminal activities

51. Some members of the elite network running joint ventures are linked to the smuggling of precious metals and gems, arms trafficking, illegal foreign exchange trading and money-laundering. The Panel has received extensive documentation and first-hand testimony explaining the mechanics of these criminal operations.

52. Sengamines supplements its revenues by laundering diamonds smuggled from Angola and Sierra Leone. Sengamines also smuggles its own diamonds out of the Democratic Republic of the Congo and the Panel has learned of specific instances, times, places and persons involved. For example, in March 2001, Mr. Al-Shanfari instructed his security chief to smuggle diamonds from the Sengamines concession to Johannesburg, South Africa, and deliver them to Ken Roberts, the chief executive of Serengeti Diamonds.

53. Sengamines has also served as a front for illegal foreign exchange transactions using several routes into and out of the Democratic Republic of the Congo. Most of the latter involved breaking the country's foreign exchange laws and profiting from arbitrage between differential exchange rates for the United States dollar and Congolese franc in Kinshasa and the eastern Democratic Republic of the Congo, respectively. In one example, on 13 March 2000, Oryx officials in Kinshasa loaded an aircraft belonging to Mr. Bredenkamp with eight crates of Congolese francs for shipment to Harare. The Panel also has documentation substantiating information that an Oryx employee regularly transported parcels of United States dollars ($500,000 at a time) that were withdrawn from the Oryx account at Hambros Bank, London, to Kinshasa without declaring them to the Congolese authorities; at Kinshasa the money was changed into Congolese francs and further transported to Harare and the eastern Democratic Republic of the Congo. Oryx employees said they were asked to pay Mr. Mnangagwa a commission on these transactions which contravened Zimbabwe law. Despite repeated claims by Mr. Bredenkamp's representatives that he has no business relationship with Mr. Al-Shanfari, the Panel has received a document — dated January 2001 and jointly signed by Mr. Bredenkamp and Mr. Al-Shanfari — guaranteeing a $1.5 million loan to Oryx Natural Resources from Python Services Ltd.

Mining revenues and the military

54. The procurement of military equipment and services is a major source of revenue for the elite network. Several joint venture mining companies have strong links with the military supply companies who facilitate their operations in the Democratic Republic of the Congo. The Panel has information that diamond revenues were used to pay for arms purchases for FAC and indirectly used to finance the contribution of the Government of the Democratic Republic of the Congo to salary payments for ZDF. It has received a document recording a transfer of MIBA funds requested by Brigadier General François Olenga for the purchase of weapons for FAC.

55. Oryx Natural Resources has a close working relationship with Avient Air, a military company which supplies services and equipment to ZDF and FAC. In April 2002, Avient Air brokered the sale of six attack helicopters to the Kinshasa Government. Bank records show several transactions between Avient and accused trafficker Leonid Minim. Under the management of Andrew Smith, a former British army captain, Gerry O'Brien and Lewis Kling, Avient was contracted to organize bombing raids into the eastern Democratic Republic of the Congo in 1999 and 2000. At the same time Avient organized logistics and transportation of mining equipment for Sengamines and enjoyed security clearance as a military company working with ZDF. The Panel has a record of a payment in September 2001 of $35,000 from the Oryx account at Banque Belgolaise to Avient Ltd., Avient Air's sister company based in the United Kingdom.

56. John Bredenkamp, who has a history of clandestine military procurement, has an investment in Aviation Consultancy Services Company (ACS). The Panel has confirmed, independently of Mr. Bredenkamp, that this company represents British Aerospace, Dornier of France and Agusta of Italy in Africa. Far from being a passive investor in ACS as Tremalt representatives claimed, Mr. Bredenkamp actively seeks business using high-level political contacts. In discussions with senior officials he has offered to mediate sales of British Aerospace military equipment to the Democratic Republic of the Congo. Mr. Bredenkamp's representatives claimed that his companies observed European Union sanctions on Zimbabwe, but British Aerospace spare parts for ZDF Hawk jets were supplied early in 2002 in breach of those sanctions. Mr. Bredenkamp also controls Raceview Enterprises, which supplies logistics to ZDF. The Panel has obtained copies of Raceview invoices to ZDF dated 6 July 2001 for deliveries worth $3.5 million of camouflage cloth, batteries, fuels and lubricating oil, boots and rations. It also has copies of invoices for aircraft spares for the Air Force of Zimbabwe worth another $3 million.

Case study of a commercial chain involving diamonds

57. The Democratic Republic of the Congo-Zimbabwe joint venture Minerals Business Company represents Zimbabwe's interests in the lucrative diamond trade of the Democratic Republic of the Congo. It buys and markets production from the joint venture Sengamines, which has attempted to conceal its links with ZDF. The Minerals Business Company uses Zimbabwe's military and political influence to evade the legal requirements of the Democratic Republic of the Congo and to avoid paying the costly licensing fees. The refusal of MBC to honour its obligations to the public treasury has prompted official complaints from the Ministry of Mines demanding that MBC comply with the law. MBC officials have asserted that Zimbabwean entities are not obliged to adhere to the laws of the Democratic Republic of the Congo.

58. The Minerals Business Company allows a limited number of other diamond companies to take advantage of the privileged status it enjoys in Kinshasa. Sandrian Mining, based in Kinshasa, has a contractual relationship with MBC. Thorntree Industries, a joint venture between South Africa-based Nico Shefer's Tandan group and ZDF, also has contracts with MBC, as does Mixen Trading, which has offices in Zimbabwe. MBC sells to the United States-based Flashes of Color, and the Swiss-registered Ibryn & Associates, as well as to the Belgian-registered Jewel Impex, Komal Gems and Diagem. One of the most important trading partners of MBC is the Belgian-based company Abadiam, which buys from MBC as well as directly from Sengamines. The Panel has bank records dated September 2001 showing transfers of more than $1 million from the Belgian account of Oryx Natural Resources to Abadiam.

Collapse of the public sector; armed conflict and its humanitarian consequences

Kasai Oriental and Kasai Occidental

59. The diversion of funds from State companies and public coffers, by fraud or under the pretext of *effort de guerre*, has contributed to eliminating funds available for public services. The public sector in the two Kasai Provinces has effectively disappeared. Of the five water production plants in Kasai Oriental, four plants no longer function and the fifth, in the city of Mbuji Mayi, is said to function at less than 20 per cent capacity. Of the six water production plants in Kasai Occidental, five no longer function; the sixth, in the city of Kananga, operates at best at 10 per cent capacity.

60. Government officials blame the precipitous decline in public spending on the war. Most soldiers are unpaid and become social predators, financing themselves through theft and pillage, living off the population they are presumed to protect, and provincial governments make little effort to discourage them. Taxes and licensing fees have nevertheless increased, as have the forced acquisition of the resources of State enterprises in the name of the war effort. The Government has therefore benefited from the state of war by using it as a pretext, not only to justify an increase in demands on the population to increase government revenues, but also to justify a decrease in expenditure. Insecurity in the Government-controlled area is only a small part of the consequences of support for the military in war. It is much more a consequence of the deliberate neglect of the military, who by virtue of this neglect turn their weapons on the population.

61. The pretext of war, increased government levies, unpaid salaries and the absence of government services have combined to precipitate a collapse in the urban economies of Mbuji Mayi, Kananga and, to a lesser extent, of Lubumbashi. Banks no longer offer credit in the Kasai Provinces. The absence of local credit and the decline of road transport have forced most local industries in Kananga to close.

Katanga

62. Lubumbashi, and southern Katanga generally, have been affected by Rwanda's presence in the north. The occupation by RPA of the northern portion of Katanga, the rich agricultural plains around Nyunzu and Kongolo, has cut the southern portion off from what was once the breadbasket of Katanga.

63. A recent study by Médecins sans Frontières in Kilwa, a representative town in southern Katanga south of the front line, with a population of 350,000, has found a death rate for children under 5 of 3.2 per 10,000 per day. Over the course of a year this means that 12 per cent of all children under 5 years old will die, and one out of every four children die over a period of two years. Notably, virtually none (0.6 per

cent) of the deaths resulted from violence. Deaths instead result from illness — malaria and dysentery: conditions closely linked to malnutrition and the absence of medical facilities.

64. Malaria and dysentery are treatable. International non-governmental organizations — World Vision and Médecins sans Frontières in this case — try to step in where government facilities no longer function. However, the soaring death rates in the Government-held areas around Ankoro, Kilwa, Dubie and Lwanza, especially where medical facilities are non-existent and where State medical professionals receive no salaries, are indications of Government negligence. The rates of malnutrition and mortality are measures of that negligence and are the consequence, in part, of diverting State resources from State companies such as Gécamines into the private accounts of Zimbabwean individuals, other private interests, and Congolese individuals.

IV. Rwanda-controlled area

65. The claims of Rwanda concerning its security have justified the continuing presence of its armed forces, whose real long-term purpose is, to use the term employed by the Congo Desk of the Rwandan Patriotic Army, to "secure property". Rwanda's leaders have succeeded in persuading the international community that their military presence in the eastern Democratic Republic of the Congo protects the country against hostile groups in the Democratic Republic of the Congo, who, they claim, are actively mounting an invasion against them.

66. The Panel has extensive evidence to the contrary. For example, the Panel is in possession of a letter, dated 26 May 2000, from Jean-Pierre Ondekane, First Vice-President and Chief of the Military High Command for RCD-Goma, urging all army units to maintain good relations "with our Interahamwe and Mayi-Mayi brothers", and further, "if necessary to let them exploit the sub-soil for their survival".

67. Prominent members of a Congolese Hutu group, Benemugabohumwe, recently began to encourage Hutus living in the Democratic Republic of the Congo, some of them opposition groups, to work instead for the cause of Rwanda in the country. Eugene Serufuli, RCD-Goma Governor of North Kivu Province and reportedly himself a Hutu, has promoted a non-governmental organization, Tous pour la paix et la démocratie, aiming to conscript Hutus of all political persuasions to throw in their lot with the Rwandans. Their purpose, as described by the *Nord Kivu Reveil* in a circular dated 16 April 2002, has been to "express allegiance to Rwanda by joining its efforts to control the eastern Democratic Republic of the Congo".

68. A 30-year-old Interahamwe combatant living in the area of Bukavu described the situation in a taped interview with a United Nations officer in early 2002.

> We haven't fought much with the RPA in the last two years. We think they are tired of this war, like we are. In any case, they aren't here in the Congo to chase us, like they pretend. I have seen the gold and coltan mining they do here, we see how they rob the population. These are the reasons for their being here. The RPA come and shoot in the air and raid the villagers' houses but they don't attack us any more. If you are lucky, and you have a big brother in the RPA, he might be able to get you some food and ammunition.

69. On the basis of its analysis of considerable documentation and oral testimony, the Panel holds the view that the rationale for Rwanda's presence is to increase the numbers of Rwandans in the eastern Democratic Republic of the Congo and to encourage those settled there to act in unison to support its exercise of economic control. The recent departure of troops should not be interpreted as a sign of Rwanda's willingness to reduce its considerable involvement in the evacuation of valuable resources, to reduce the level of armed conflict or to diminish the humanitarian crisis in the region. Economic exploitation in its various forms will continue, relying on a less conspicuous armed force and alternative strategies for carrying out the exploitative activities.

The elite network

70. The elite network's operations in the eastern Democratic Republic of the Congo are managed centrally from the RPA Congo Desk, which serves to link the commercial and military activities of RPA. The Panel has described this function in some detail in previous reports. The Panel continues to receive documentation on ways in which the proceeds of the RPA commercial wing finance an armed presence. As an illustration, the Panel has recently acquired

documents showing coltan sales being negotiated by ranking Congo Desk officials. The Panel has copies of faxes sent from the office of RPA Major Dan Munyuza on behalf of Maniema Mining Company and another fax sent from the office of RPA Chief of Staff General James Kaberebe.

71. While revenues and expenditure in the Congo Desk are considerable, they are kept strictly separate from Rwanda's national budget. A reliable source associated with the Congo Desk has calculated that income to the Desk provided 80 per cent of all RPA expenditure in 1999. The official Rwandan budget for 1999 allocated $80 million to the military. If this official budget allocation of $80 million represents the 20 per cent referred to by the Panel's source as the portion of military expenditure not covered by the Congo Desk, then the total military budget from all sources would approximate $400 million. This comes to 20 per cent of GNP for 1999 and approximately 150 per cent of recurring budget expenditure for that year. The Congo Desk's contribution to Rwanda's military expenses would therefore have been in the order of $320 million. The activities funded by revenues generated by the Congo Desk strongly shape Rwanda's foreign policy and directly influence national decision-making in a number of domains. These transactions are, however, hidden from the scrutiny of international organizations.

72. The elite network maintains close commercial ties with transnational criminal networks, including those of Victor Bout, Sanjivan Ruprah and Richard Muamba Nozi. Victor Bout's aircraft are utilized for a number of purposes including transport of coltan and cassiterite, the transport of supplies into mining sites, and the transport of military troops and equipment. During the last major military campaign in Pweto, Democratic Republic of the Congo, Victor Bout's aircraft were used to transport RPA personnel to the area.

73. While Sanjivan Ruprah has frequently worked within Victor Bout's criminal organization, he maintains an independent affiliation with the Congo Desk in Kigali. On 7 February 2002, Mr. Ruprah was arrested in Belgium on suspicion of planning to provide 6 million new zaire banknotes — still valid in the eastern Democratic Republic of the Congo — to RCD-Goma with financing by diamond dealers based in Belgium. The President of RCD-Goma, Adolphe Onusumba, who has kinship and business ties with Mr. Ruprah, played a key role in this counterfeit operation. Another group, the Muamba Nozi counterfeiting operation, also provides counterfeit Congolese francs to RCD-Goma. Its regional base of operations is located at Nairobi, where they print and distribute to the eastern Democratic Republic of the Congo large quantities of counterfeit Congolese francs. Officials in the Central Bank of Kinshasa have informed the Panel that Mr. Muamba Nozi's counterfeit activities are politically motivated and designed to deliberately destabilize the present regime by weakening the currency.

Strategies and sources of revenue

Coltan

74. The end of the SOMIGL coltan monopoly in April 2001 was less a consequence of the falling price of coltan and more a consequence of Rwanda's determination to capture more of the revenue that was being taken in taxes by the RCD-Goma rebel administration. The termination of the agreement with SOMIGL made it possible for RPA to frustrate the efforts of RCD-Goma to raise revenue for its own purposes.

75. The bulk of coltan exported from the eastern Democratic Republic of the Congo, as much as 60 to 70 per cent, has been mined under the direct surveillance of RPA mining *détachés* and evacuated by aircraft from airstrips near mining sites directly to Kigali or Cyangugu. No taxes are paid. Rwandan military aircraft, Victor Bout's aircraft and small airline companies are used in the evacuation of the coltan. RPA has maintained control over most of the coltan sites where rich deposits are found, where the percentage of tantalum is high, and where local airstrips are accessible. A variety of forced labour regimes are found at sites that have been managed by RPA mining *détachés*, some for coltan collection, some for transport, others for domestic services. Many accounts report the widespread use of prisoners imported from Rwanda who work as indentured labour.

76. A smaller portion, perhaps 15 to 25 per cent of the total coltan exported, is purchased by *comptoirs* owned by Rwandans who buy from local *négotiants* at remote coltan sites or from the agents of local defence groups. More typically these *comptoirs*, owned by Rwandan army officers or those closely linked to the

Government of Rwanda, such as MHI *comptoir*, Eagle Wings or Rwanda Metals, have obtained their own mining sites and conscript their own workers to exploit the sites under severe conditions.

77. The smallest portion of coltan is purchased by the few remaining Congolese-owned *comptoirs* at one of the large number of coltan sites in remote areas. Most of the Congolese *comptoirs* have found it impossible to compete with the RPA or Rwanda-owned *comptoirs*.

78. As mining profits to the Congo Desk have increased, the share of RCD-Goma has declined. The Congo Desk has perennially deprived its junior partner, RCD-Goma, of any significant share in resources and prerogatives, and RCD-Goma has perennially complained. RCD-Goma administrators have frequently pointed out that they were unable to manage their army without sufficient revenue. Lacking financial support, the ANC brigades have turned to pillaging villagers throughout the eastern Democratic Republic of the Congo. The third Brigade has stolen a large number of cattle around Kalemie, and the first Brigade has taken diamonds from Opala. The Panel possesses extensive documentation on these activities. Most of these rebel forces are under the command of RPA officers. They have little hesitation, when so directed, in attacking local self-defence groups who obstruct their commercial operations, to eliminate specific enemies, to provide security around gold, coltan and diamond rich areas, to provide police services in urban areas and occasionally to keep a force present along the front lines. Since ANC troops are neither paid nor disciplined, they use their weapons to prey on the population, frequently burning whole villages to acquire property and food.

Case study of a commercial chain involving coltan

79. Eagle Wings Resources International, a coltan *comptoir* in Bukavu, is a subsidiary of Trinitech International Inc., based in Ohio, United States. Eagle Wings has offices in Rwanda, Burundi and the Democratic Republic of the Congo. The manager of Eagle Wings in Kigali has close ties to the Rwandan regime. Consequently, Eagle Wings operates in the Democratic Republic of the Congo as a Rwanda-controlled *comptoir* with all the privileges derived from this connection. Eagle Wings is not obliged to fulfil its full responsibilities to the public treasury managed by the RCD-Goma administration. Like other Rwanda-controlled coltan *comptoirs*, Eagle Wings collaborates with RPA to receive privileged access to coltan sites and captive labour.

80. Approximately 25 per cent of Eagle Wings coltan is shipped from Kigali to the Ulba Metallurgical Plant of NAC Kazatomprom, in Kazakhstan. Another 25 per cent is sold to the parent company of Eagle Wings, Trinitech International Inc. in the United States, which arranges for sales to both Ulba and to the Chinese processing facility at Ningxia Non-Ferrous Metals Smeltery (NNMS). H. C. Starck, based in Germany and a subsidiary of the transnational corporation Bayer AG, purchases about 15 per cent of Eagle Wings coltan. H. C. Starck has denied on numerous occasions obtaining coltan originating from Central Africa. In a press statement issued on 24 May 2002, H. C. Starck reiterated that the company had purchased no material originating in Central Africa since August 2001. The Panel possesses documents showing the contrary. In the same press release, H. C. Starck claimed that its coltan originates from "peasant suppliers" and not from rebel groups. In fact, no coltan exits from the eastern Democratic Republic of the Congo without benefiting either the rebel group or foreign armies.

81. In one instance on which the Panel has documentation, Mozambique Gemstone Company provided false documents establishing Mozambique as the origin of a shipment of coltan originating in Rwanda and transiting through South Africa. Mozambique Gemstone Company then sold the consignment to AMC African Trading and Consulting Company Ltd., based in South Africa, which subsequently sold the consignment to H. C. Starck Ltd. in Rayong, Thailand, on 21 September 2001. H. C. Starck sent a letter of credit for this consignment on 9 May 2002 to Chemie Pharmacie Holland, which oversaw the transaction, and which is a commercial partner of Eagle Wings providing logistical and financial services. Eagle Wings is the only coltan source for Chemie Pharmacie. Eagle Wings has no operations in Mozambique.

82. The Panel has also had direct contacts with the Chinese processing facility, NNMS, to determine whether they use coltan originating in the eastern Democratic Republic of the Congo. NNMS categorically denied doing business with "any individual or any entity that represents somebody or some entity in the Democratic Republic of the Congo." In fact, a number of brokers trading in coltan

originating from the eastern Democratic Republic of the Congo have informed the Panel of their sales to NNMS. A publicity presentation prepared by NNMS itself has stated that the reason that they are able to provide low prices for their output is that NNMS buys significant amounts of cheap raw material from Central Africa. One NNMS report notes that 50 per cent of all coltan purchased for processing originates in Central Africa. Frequent follow-up Panel enquiries with NNMS were ignored.

Diamonds

83. The diamond market was the prize Rwanda fought Uganda to have for its own. After the last clash in Kisangani in June 2000, RPA worked through the RCD-Goma administration to funnel all the diamonds in Kisangani through the Congo Desk control. The technique was to oblige all local diamond traders to sell to one principal *comptoir* holding exclusive export rights.

84. The Congo Desk gave Aziz Nassour the first monopoly. Aziz Nassour fell out of favour with the Congo Desk and was replaced by an Israeli diamond dealer, Philippe Surowicz. Diamond traders in Kisangani remember the Surowicz period as a "reign of terror". Diamond sellers frequently reported entering "Monsieur Philippe's" *comptoir* only to be confronted with RPA military who named a derisory price and took the diamonds. The Congo Desk replaced Mr. Surowicz in October 2001 with a Lebanese, Hamad Khalil, who worked through the Bakayoko *comptoir* in Kisangani.

85. In mid-November 2001, the Department of Lands, Mines and Energy of RCD-Goma conducted a study of Hamad Khalil's performance in the first month of his tenure. His quota had been set at a minimum of $500,000 per month. Mr. Khalil met his quota exporting diamonds valued at $576,380 over a period of 27 days. The performance was adequate, but it was far below the Kisangani sales potential of up to $2 million per month. His poor performance raised the suspicion that the Congo Desk was using Mr. Khalil to divert revenues that might otherwise accrue to the RCD-Goma administration. A similar inspection of diamond production in the Sankuru and Lodja areas of Northern Kasai the week before had also revealed that RPA officers were clandestinely taking large quantities of diamonds out of Northern Kasai directly to the Congo Desk in Kigali. RCD-Goma determined that Mr. Khalil was undervaluing the diamonds, and the consequence was a reduction in taxes payable to RCD-Goma's public treasury as well as a greater margin of profit for Mr. Khalil and the Congo Desk. The study concludes that "The public treasury would have four times the present revenue from diamonds were it not for fraudulent practices and the under-valuation of diamonds".

Imports, taxation and requisition by the public sector

86. The controversial "conflict" diamonds from Kisangani are marketed by criminal networks. Proceeds from these criminal sales are laundered by the purchase of large quantities of household goods in Dubai — sugar, soap, cloth and medicines — which are then imported to the Democratic Republic of the Congo and offered to local sellers at attractive prices. The Rwandan wholesalers use the profits in Congolese francs to buy dollars and, to close the trade circuit, to purchase diamonds.

87. The interest of the RPA commercial wing in selling consumables at attractive prices is not only to launder money from criminal diamond sales, but also to place the once-thriving Kisangani economy under Rwanda's control. The cloths that were once manufactured at the Kisangani Sotexki factory and renowned for their quality no longer compete with the cheaper imports, and the result is that the Sotexki labour force, once 2,000, now stands at 100. The palm oil once produced locally at the Unilever-owned plant can no longer compete with the imported oil that is sold in Kisangani at a third of the price of locally produced oil. The Unilever-owned palm oil plants in Kisangani are practically at a standstill. Weakening local production not only undermines the local manufacturing economy and makes the Kisangani population captive consumers, it also shifts Kisangani's manufacturing economy to Kigali.

88. Another strategy for raising revenue is to use RCD-Goma's public sector facade to requisition funds from public enterprises. On 21 November 2001, the Secretary General of RCD-Goma requisitioned by decree all revenues generated by public utilities and parastatals. On the following day the Secretary General annulled all existing collective agreements for workers in those enterprises. The decrees were applicable to all public enterprises, including the water utility, the airport authorities, the electricity utility, the road and

transport authority among others. RCD-Goma declared the requisitions to be in the public interest. Within a month, the water utility lacked sufficient funds to purchase water purification chemicals in Kisangani and Bukavu and power stations stopped functioning for lack of necessary repairs. The International Committee of the Red Cross has stepped in to provide 60 tons of chemicals for water purification and has financed costly repairs at Tshopo power station to avert a discontinuation of water supply in Kisangani and avert a cholera outbreak. The parastatal transport company ceased to function, and the airport authorities appealed to RCD-Goma to restore a portion of the requisitioned funds since no salaries had been paid for six months.

89. Following a decree on 15 March 2002, new taxes were introduced and all existing tax rates have been increased. Over an 18-month period, since the previous tax decree of September 2000, taxes on electrical consumption have increased by 200 per cent. Licences for trading in agricultural products increased fourfold. Most licensing fees for operating a business were doubled or tripled. The number of different taxes collected in the area under RCD-Goma administration has increased four times since 1998. None of the tax revenue is used to provide public services.

Armed conflict and its consequences

90. Medical practitioners, church workers, and non-governmental organizations in northern Katanga all attest to rapidly escalating disorder in Kalemie and an increased use of arms by a wide range of groups, some affiliated with RCD-Goma and others not. Fighting between RPA and FAC has been limited to Rwanda's seizure of northern Katanga in November 1998 and a government counter-offensive in October 2000. These confrontations resulted in considerable displacement of populations in the path of troop movements. However, it was the aftermath of those confrontations that resulted in the most severe armed conflict. Rwandan troops seized material for their campaigns. The RCD-Goma third ANC Brigade, following Rwanda's example in their own random fashion, seized food and other property. Armed movements arose among local populations for self-defence, and occasionally these local militias banded together with other local militias to create larger armed groups. The Panel has received extensive documentation from local lawyers, Catholic and Protestant churches, the Fédération des Entreprises au Congo and others detailing thefts of cattle valued at more than $15 million, thefts of over $1 million worth of retail goods and the destruction or fraudulent sale of equipment from the Société nationale de chemin de fer du Congo.

91. The Catholic Church in the eastern Democratic Republic of the Congo has spoken out boldly about the thefts, killings, torture, extortions, rapes and piracy on Lake Tanganyika perpetrated originally by RPA and continued by ANC, the RCD-Goma police and the Banyamulenge militia. The Church, and most notably the Bishop of Kalemie-Kirungu, recently headed a campaign to expose these abuses. Directors of RCD-Goma's Department of Security and Information responded by threatening to kill prominent church leaders. The Catholic Diocese published a list of those threats on 15 May 2002.

92. The multiplication of armed forces and fighting in the interior have all but destroyed farm production on the rich plateau in the interior of northern Katanga. Excesses by RPA in requisitioning resources for the "war effort" set a standard for behaviour by the far less disciplined ANC rebel forces, who have ravaged the countryside. Growers are reluctant to invest in crops when they are so likely to be stolen. Large numbers of persons have been displaced from their homes and have abandoned their lands out of fear. The Office for the Coordination of Humanitarian Affairs has estimated that, in the northern Katanga area alone, 350,000 displaced persons are living away from their homes, with neighbours, in the cities or in the bush.

93. Armed conflict along the Masisi-Walikale-Goma axis arises from tensions between the large numbers of RPA in place to manage mining operations and Hutus who may be resident, but who are also imported or conscripted by Rwandan forces to carry out mining under forced labour conditions. Separate Rwanda-owned *comptoirs* have quarrelled among themselves for access to sites. RPA forces have attacked and burned villages to seize coltan mined by some Hutu groups or local villagers. The Panel has taken testimony from villagers who have been forced to leave their villages following attacks. With minor exceptions, the objective of military activity is to secure access to mining sites or ensure a supply of captive labour.

94. Population displacement is the outcome of frequent armed conflict, with the predictable consequences of food insecurity, malnutrition and high

mortality rates for both the displaced and host populations. The Office for the Coordination of Humanitarian Affairs estimated that 1.5 million persons were displaced in March 2001 in the areas occupied by Rwanda in North and South Kivu, Maniema and Katanga, nearly 14 per cent of the population. More than three quarters of families living in the rural areas have probably been forced to move at least once in the last five years. This degree of armed conflict undermines local authority and encourages an abusive social environment. Public infrastructure is destroyed. School enrolment in Shabunda has dropped 56 per cent since 1998. Men are led to abuse women on a surprising scale throughout the eastern Democratic Republic of the Congo. International non-governmental organizations have provided comprehensive reports about groups of women being taken hostage and submitted to long periods of sexual abuse. Children become instruments of war, forced to work in the mines and conscripted into armed forces. United Nations officials have suggested that the number of child soldiers in the rebel armies is much higher than reported by the rebel administrations, and that 50 per cent of local defence and Mayi-Mayi groups are children.

Malnutrition and mortality

95. Malnutrition studies carried out by non-governmental organizations in both northern Katanga and the Kivus have shown that, in some places, as many as 25 to 30 per cent of all children under 5 years are malnourished. In most cases, this is due to the large numbers of displaced persons who have been forced to leave their own agricultural production and have taken refuge in nearby host villages. A number of studies have shown the close link between elevated malnutrition levels and mortality rates in this region.

96. The most commonly quoted conclusion from the International Rescue Committee's surveys is that 2.5 million more people died since the beginning of the war than would have died had the war not occurred. While the study is directly relevant to the sample population of 1.3 million, the International Rescue Committee has assumed that conditions are sufficiently similar throughout all five provinces of the eastern Democratic Republic of the Congo to justify applying the mortality rates found in the sampled population to the larger population in all five provinces. The study covered the period from August 1998 to April 2001. If one assumes mortality to have continued at the same rate, this would mean that more than 3.5 million excess deaths would have occurred from the beginning of the war up to September 2002. These deaths are a direct result of the occupation by Rwanda and Uganda. Extensive mortality, especially mortality among children, is the consequence of a cycle of aggression, the multiplication of armed forces, a high frequency of conflict and its consequences, especially displacement. One should not be surprised to find, in areas most affected by the conflict, a mortality rate for children under 5 years of 35 per cent.

V. Uganda-controlled area

97. The objective of the elite network in the areas controlled by Uganda has been to exercise monopolistic control over the area's principal natural resources, cross-border trade, and tax revenues for the purpose of enriching members of the network. Notwithstanding the current political rapprochement and the apparent momentum towards normalizing relations between Uganda and the Democratic Republic of the Congo, the elite network continues to increase its economic hold over the area.

The elite network

98. The elite network operating out of Uganda is decentralized and loosely hierarchical, unlike the network operating out of Rwanda. The Uganda network consists of a core group of members including certain high-ranking UPDF officers, private businessmen and selected rebel leaders/administrators. UPDF Lieutenant General (Ret.) Salim Saleh and Major General James Kazini are the key figures. Other members include the Chief of Military Intelligence, Colonel Noble Mayombo, UPDF Colonel Kahinda Otafiire and Colonel Peter Karim. Private entrepreneurs include Sam Engola, Jacob Manu Soba and Mannase Savo and other Savo family members. Rebel politicians and administrators include Professor Wamba dia Wamba, Roger Lumbala, John Tibasima, Mbusa Nyamwisi and Toma Lubanga.

99. The network continues to conduct activities through front companies such as the Victoria Group, Trinity Investment, LA CONMET and Sagricof. Each

of these companies may concentrate on one or two commercial niches, though these may change. The role of the companies is to manage their respective niche activities by assembling the personnel, logistics and occasionally the financing for the operations.

100. The network generates revenue from the export of primary materials, from controlling the import of consumables, from theft and tax fraud. The success of the network's activities in the Democratic Republic of the Congo relies on three interconnected features, namely, military intimidation; maintenance of a public sector facade, in the form of a rebel movement administration; and manipulation of the money supply and the banking sector, using counterfeit currency and other related mechanisms.

101. The Uganda People's Defence Forces and their associated rebel militias have been used as the de facto enforcement arm of the network, ensuring the network's pre-eminent commercial position through intimidation, and the threat and use of force. UPDF or militias associated with individual UPDF officers have established physical control over areas containing commercially viable natural resources — coltan, diamonds, timber and gold. They establish authority in major urban and financial centres, such as Bunia, Beni and Butembo, where they use the rebel administration as a public sector facade to generate revenue, specifically to collect taxes under various pretexts, including licensing fees for commercial operators, import and export duties and taxes on specific products.

102. Uganda has recently agreed to withdraw all UPDF troops except for a reinforced battalion in Bunia and a small number of units on the slopes of the Ruwenzori Mountains. In anticipation of this withdrawal, a paramilitary force is being trained under the personal authority of Lt. General Saleh which, according to the Panel's sources, is expected to continue to facilitate the commercial activities of UPDF officers after UPDF have departed. This military group draws on dissidents from Jean-Pierre Bemba's MLC, members of the Uganda-supported RCD-Congo including its leaders Professor Kin-kiey Mulumba and Kabanga Babadi, and others in the north-eastern Democratic Republic of the Congo who have supported UPDF in the past. It has been reported that Lt. General Saleh discreetly provides financial support for this new rebel group. The Panel's sources have indicated that Heckie Horn, Managing Director of Saracen Uganda Ltd., is a key partner with Lt. General Saleh in supporting this paramilitary group and that Lt. General Saleh himself is a 25 per cent owner in Saracen. Saracen's managing director also provides military training and arms to members of this group. In an interview with Panel members, the Managing Director of Saracen Ltd. categorically denied any involvement with Lt. General Saleh's activities in the north-eastern Democratic Republic of the Congo.

103. Panel sources report that Lt. General Saleh and Mr. Horn consulted President Joseph Kabila to obtain support for this covert operation. Its primary objective has been to replace Mbusa Nyamwisi with Roger Lumbala as head of RCD-K/ML in order to ensure access to the diamond-rich areas around Buta and Isiro controlled by Mr. Lumbala's rebel group, RCD-National. This objective has largely been achieved. Their more long-term objective is to bring about the downfall of Jean-Pierre Bemba, adding the growing number of dissidents in Mr. Bemba's ranks to the new rebel movement RCD-Congo. With increased numbers and training, they will then be in a position to confront RCD-Goma and Rwanda.

104. Members of the Ugandan network are typically tax exempt. The Panel is in possession of documents showing that the network uses its control over the RCD-K/ML rebel administration to request tax exonerations for imports of high-value commodities. The granting of numerous tax exonerations to UPDF Colonel Otafiire between late 2001 and early 2002 is one of numerous cases. Not only did Colonel Otafiire benefit financially but, eventually, those exonerations forced local competitors out of markets in Bunia and Beni, leaving the petrol trade largely under the control of the network.

105. Local commercial operators are, however, required to pay substantial import and export duties. These operators may be favoured with discounted tax payment deals, in the form of prefinancing arrangements, but tax payment for local operators is mandatory. Prefinancing arrangements involve the payment by an importer of discounted tax payments in exchange for a financial payment to an authorizing rebel politician or administrator. None of these payments to the rebel administration is used to finance public services.

106. The network uses its economic influence to control the banking sector, which in turn allows the

network to further control access to operating capital for commercial operators in the area. Economically speaking, this region has become a captive region, where the types of commercial ventures are manipulated and the viability of local businesses is controlled. Furthermore, the flow of money is regulated by the network through currency trading and the widespread introduction of counterfeit Congolese francs.

107. As in the past, the network continues to involve the transnational criminal group of Victor Bout. Mr. Bout recently purchased the Uganda-based non-operational airline company Okapi Air. The purchase of the company allowed Victor Bout to use Okapi's licences. The company was subsequently renamed Odessa. The Panel is in possession of a list of outbound flights from 1998 to the beginning of 2002 from Entebbe International Airport, which confirms the operational activities of Mr. Bout's aircraft from Ugandan territory. Currently, Mr. Bout's aircraft share the flight times and destinations (slots) with Planet Air, which is owned by the wife of Lt. General Salim Saleh and which facilitates the activities of Mr. Bout by filing flight plans for his aircraft.

Strategies and sources of revenue

Coltan

108. Coltan has been exploited extensively in Orientale Province by various armed groups under the protection of UPDF. A number of coltan operations, especially under the supervision of UPDF Colonels Muzora and Burundi, have been coordinated under the front company Trinity Investment, where UPDF Major General Kazini is the principal figure. Armed groups frequently identified with militias under the command of UPDF officers manage sites in remote locations where diggers pay a daily fee to exploit an area.

Case study of a commercial chain involving coltan

109. During March 2002, Panel members met with Valentina Piskunova who, together with her husband Anatoly Piskunov, represents and operates the company LA CONMET from its base in Kampala. During discussions with the Panel, Ms. Piskunova explained that, because of the collapsed international coltan market, prices for the mineral in the eastern Democratic Republic of the Congo had dropped dramatically. However, Ms. Piskunova told the Panel that the continuing international interest in coltan from the Democratic Republic of the Congo is due to the "very low" labour costs for extracting the mineral. Therefore, the company continued to buy coltan from its office at Butembo in the Democratic Republic of the Congo. She said that their purchase price for coltan with a 30 per cent tantalum content was $10 per kilogram. The same coltan was then sold for $17 per kilogram.

110. Ms. Piskunova went on to tell the Panel that the company's coltan was transported by road across the border between the Democratic Republic of the Congo and Uganda at Kasindi to Entebbe International Airport, where it was then transported by Boeing 707, via Sharjah, United Arab Emirates, at a cost of $140,000 per flight, to Ulba, Kazakhstan, for processing.

111. In addition to the profit made on the sales of coltan, LA CONMET also experienced savings by being granted "full exoneration" for "all activities involving exploitation for the territory of Beni-Lubero" (Democratic Republic of the Congo), including freedom from paying fiscal and customs duties. The document granting the exonerations is in the possession of the Panel. It was signed at Kampala by Mbusa Myamwisi, then Commissioner General for RCD-Kisangani, on 5 January 2000, identifying Salim Saleh as the owner of LA CONMET and designating his representatives as "the Russian group LA CONMET".

Diamonds

112. The network coordinates all elements of the diamond trade, local buying houses, Lebanese exporters, army protection from UPDF and individual militias, tax exonerations from the public sector, and Lebanese connections in Antwerp, under the aegis of the front company, the Victoria Group. Considerable evidence available to the Panel has named the Lebanese-born, Khalil Nazeem Ibrahim, and another known as Mr. Abbas, as the present focal points in Kampala for Victoria's diamond operations. The Panel has credible evidence that Khalil Nazeem Ibrahim used the capital and marketing services of Hemang Nananal Shah, proprietor of Nami Gems in Antwerp. Lt. General Saleh is recognized by the Panel's sources in Bunia, Kisangani and Kampala as the founder and director of the Victoria Group and as the mastermind of its operations.

113. The Lebanese individuals, together with their families, who are commonly named in connection with the Victoria Group, are also regarded as closely associated with the Lebanese families Khanafer and Ahmad. Khanafer Nahim, in particular, has been named as a key figure in Victoria Group operations. He is well known by a number of national intelligence and police organizations for the production of counterfeit currency, money-laundering and diamond smuggling on behalf of generals who were prominent in President Mobutu's time and are still interested in returning to power. The Victoria Group's use of counterfeit United States currency in Bunia to purchase gold from local *comptoirs* is widely known.

Tax fraud and the requisition of assets

114. Control over imports is as lucrative as the monopolization of exports. Exoneration from import duties gives the network an advantage in the north-eastern Democratic Republic of the Congo over local importers who pay duties and taxes. An across-the-board exoneration was recently proclaimed in the Protocole d'Accord issued by RCD-K/ML on 22 February 2002, which ensured Ugandan commercial operators complete exoneration from all taxes in the area under their control.

115. But increased profit margins from tax-free imports provide only a fraction of the benefits. Equally lucrative is access to the taxes themselves, monopolized by the network that uses the rebel administration's facade of a public treasury and its collection agents to raise revenue from local businessmen and the population at large. Hundreds of containers are imported each month into the Butembo, Beni and Bunia areas, and importers are obliged to pay an average of $8,000 per container. Revenue from these import duties can be considerable. Some revenue is also diverted through prefinancing arrangements, which provide discounted import duties in exchange for kickbacks to rebel politicians. The Panel's sources insist that the revenues generated from import duties and prefinancing payments are diverted to UPDF officers. None is utilized for public services.

116. Trinity Investment's local transporters in Bunia, the Savo family group among others, carry agricultural products, wood and cattle from Bunia to Kampala exempt from UPDF toll barriers and export taxes. Trinity investment also works with another front company under the name of Sagricof to fraudulently evacuate wood from North Kivu and the Ituri area. Tree plantations have been raided in the areas of Mahagi and Djugu along the north-eastern border with Uganda. Concerned citizens and research by local non-governmental organizations have identified Colonel Peter Karim and Colonel Otafiire, in addition to the Ugandan parliamentarian Sam Ngola, as key figures in the illegal logging and fraudulent evacuation of wood.

117. Many of the cattle removed have been forcibly taken from villages that have been the objects of attack by Hema militia supported by UPDF troops. The Panel has received reports from ranchers in areas to the south of Bunia as well as to the north in Mahagi detailing the removal of large numbers of cattle by UPDF troops. The representative of the Food and Agriculture Organization of the United Nations in Bunia has reported the more recent UPDF practice of offering protection to ranchers against attacks that they themselves have orchestrated, in exchange for regular payment in animals. UPDF have also required local butchers to hand over hides from animals butchered locally, and these hides are then transported to Kampala where they are reputedly sold to Bata Shoe Manufacturing.

Economic exploitation and ethnic conflict

118. The ongoing armed conflict between members of the Hema and Lendu clans stems, in part, from attempts by powerful Hema businessmen and politicians to increase the benefits they derive from the commercial activities of the elite network through their front companies, the Victoria Group and Trinity Investment, in the Ituri area.

119. Hema clan members, particularly members of the sub-clan Gegere, have justified the purchase of arms and the training of their own militia by the need to defend themselves against their traditional enemies, the Lendu. It is true that a long-festering dispute over land has resulted in discord between the two groups. Recently, however, the traditional enmity over land and the ongoing feud between the two groups is used as a rationale by the Hema, and especially by the extremist sub-clan Gegere, for importing arms and training their own militia with the ultimate unspoken objective of consolidating their economic strength in the region.

120. The Gegere sub-clan plays an important role in the operation of the elite network. The majority of transporters and local traders in Bunia come from this

group. Jacob Manu Soba, Manasse Savo and other members of the Savo family are among those who have provisioned UPDF in the area and who provide transport, logistical services and local commercial links. They have established close links with a succession of UPDF commanders and troops in the area and work closely with them in conducting cross-border trade.

121. The Hema fill an important niche in the operation of the criminal enterprises as truck owners and businessmen. They transport shipments of primary products from Ituri across the border to Uganda under the protection of UPDF troops and return with gasoline, cigarettes and arms, all exempt from taxation. They benefit from the trade and the generous profit margins, and from their association with the Trinity Group's Ugandan patrons. But their niche has remained marginal. They control none of the primary product exports themselves. They remain peripheral to the alliance between RCD-K/ML leaders, the Ugandan patrons and UPDF. The plot to replace Mr. Nyamwisi with Mr. Lubanga, which appears now to be a fait accompli in Bunia, is part of an attempt by these Hema traders to secure greater control over the spoils available to inside members of RCD-K/ML.

122. UPDF have created the conditions that require the presence of troops and their continued involvement in commercial operations. This has entailed providing arms to both sides in the ethnic conflict, the Lendu and the Hema. The consequent increase in ethnic fighting has resulted in UPDF being urged to assist in furthering the peace process in Bunia. This function was formalized in an official Protocole d'Accord signed on 22 February 2002 by Mbusa Nyamwisi and John Tibasima as President and Vice-President of RCD-K/ML and by Colonel Noble Mayombo as an official representative of the Government of Uganda. The Protocole d'Accord gave UPDF official responsibility for reducing the *conflits armés inter-ethnique en Ituri* and for assisting in bringing about a *retour de la paix* by keeping a contingent in place for observation and for negotiating an eventual long-term solution. In exchange, UPDF were promised a monthly stipend of $25,000 from the RCD-K/ML public treasury, and all Ugandan enterprises that were approved by UPDF were accorded exoneration from all duties and taxes due to the rebel administration. This has given UPDF a legitimate cover for continuing military support for the elite network's activities in the area.

123. The Protocole d'Accord was signed a week after UPDF had been involved in a succession of attacks, from 11 to 16 February 2002, on villagers at Geti. The Panel's sources on the matter stated that the attack had been financed by Hema businessmen in Bunia. The UPDF motive was clarified even further in the course of a meeting with RCD-K/ML department chiefs on 12 July 2002, when a Panel member was informed that the Hema businessmen in question sought to have control over gold deposits in the Geti area, and that in fact the ethnic conflict was a minor issue.

Armed conflict and its consequences

124. UPDF military operations have contributed to the arming of large numbers. UPDF have trained the militia of their Ituri commercial allies, the Hema, and provoked the need for the victims of Hema attacks to defend themselves. Lendu villages have mounted their own local forces, and they in turn have frequently attacked Hema villages. The creation of local self-defence groups is a familiar pattern: local ethnic groups frequently assemble armed groups to defend their villages or collectivities.

125. Armed conflict has spread throughout society, as economic and personal insecurity reach extreme levels. Large numbers of young men join one or another armed group because they have no other means of finding food or medicine or because they have no one to care for them. The young men in the Armé Patriotique Congolaise are unpaid but are provided with weapons and a uniform giving them the tools for menacing others. Widespread armed activity is characterized by opportunistic and chaotic encounters. Children are killed, adult victims are eviscerated, women are raped, property stolen, houses burned, churches demolished and whatever infrastructure exists is laid waste.

126. In the cities, young men dressed in military uniform and equipped with guns target businesses, households and churches. In the countryside, armed groups target whole villages. The attack on the village of Mpingi on 24 December 2001 is illustrative. A small Mayi-Mayi group had teamed up with a group claiming to be members of a Hutu opposition to set up a roadblock on the road from Butembo to Kanyabayonga. When the roadblock drew the attention of APC, the Mayi-Mayi group withdrew to the west into the village of Mpingi where they sought refuge. APC followed

them in force and attacked the entire village of Mpingi, destroyed and burned houses, vandalized the church, razed the school and clinic and forced the residents to flee. Targeting whole villages with violence, brutally raping and murdering residents, removing livestock, food and other property and dispersing residents has been the trademark of armed aggression. A portion of those who flee seek protection in nearby villages, abandoning their own productive activities in their home village while becoming dependent on the resources of host populations.

127. A portion of the displaced population take refuge in urban areas where they benefit from somewhat better security but have little, if any, means for survival. Unemployment rates in cities and towns often reach 90 per cent. An income survey by civil society groups in Butembo found that 90 per cent lived on a few cents a day and ate one meal a day. Urban families break up to seek survival in separate ways. The women engage in prostitution, the older men may return to what remains of their villages or mining sites and the young men enter the rebel army, swelling both the ranks of its forces and the numbers of young boys without subsistence possessing weapons.

128. In March 2001, the Office for the Coordination of Humanitarian Affairs estimated that there were 620,000 displaced persons in North Kivu, which amounted to 16 per cent of the total population. The area covered by the Office's survey includes both Uganda-controlled and Rwanda-controlled areas, but the conditions surveyed are representative of the Uganda-controlled area. Given the frequency of displacement in the area, this would mean that four out of five rural residents have been forcibly displaced at one time or another since 1998. This is the highest number ever registered for Africa. These aggregates have been confirmed for specific localities surveyed by international non-governmental organizations.

129. The spread of HIV/AIDS, the large numbers of child soldiers and the rape of women are other consequences of the pervasive armed conflict. Many soldiers are young boys who hardly seem capable of wielding the weapons they carry. The issue of child soldiers surfaced when 700 young recruits from the Bunia area were discovered at a UPDF training camp in Tchakwanzi, Uganda, of whom 165 were between 14 and 16 years of age. The programme to demobilize those 165 children, two of whom were girls, has attracted considerable attention. The issue also received attention recently when the Governor of Bunea, Jean-Pierre Molondo, revealed that, of the recruits being trained for the extremist Hema militia, 60 per cent were under the age of 18.

Malnutrition and mortality

130. Population displacement has a direct impact on agricultural production, food security and levels of malnutrition. The threat of attack and displacement is so prevalent in this area that farm families adopt farming strategies that minimize losses under conditions of extreme insecurity. They cease raising animals, since animals can be easily stolen. Fewer families raise protein-rich legumes, since these crops require attention through the growing cycle, and this attention can rarely be given. Malnutrition, in turn, substantially increases the exposure of the population to life-threatening illnesses.

131. The International Rescue Committee surveys provide the most comprehensive research into mortality in the eastern Democratic Republic of the Congo. None of the health zones sampled in its two major surveys was in the areas now controlled by Uganda. However, the pattern of armed conflict, population displacement, food insecurity and malnutrition in Uganda-controlled areas resembles the pattern that explains the very high mortality rates in the seven health zones where the research was conducted. The Committee's team judged the similarities to be sufficient to warrant extrapolating the results of areas sampled in the Kivus to the entire eastern Democratic Republic of the Congo, including areas under Ugandan control. The Panel concurs. One can expect the same range of mortality for children under 5, from nearly 30 per cent per year in areas of extreme insecurity without health facilities to 7 per cent in areas where there is less insecurity and some services. For the more than 20 million people living in the five eastern provinces, the number of excess deaths directly attributable to Rwandan and Ugandan occupation can be estimated at between 3 million and 3.5 million.

VI. Collaboration of the Panel with the Porter Commission in Uganda

132. During its previous mandate, the Panel's relations with the Judicial Commission of Inquiry headed by

Justice David Porter (Porter Commission) were occasionally strained. However, with the encouragement of Member States, notably the members of the Security Council, the Panel established an amiable working relationship with the Commission. This relationship is unique in the history of panels of experts mandated by the Council, given the degree and the nature of the cooperation developed between the two bodies.

133. Panel members held frequent discussions with the Porter Commission. From the outset, Justice Porter was critical of the quality of the Panel's reports and the credibility of its sources. At the same time, he claimed that the Commission's investigations, ongoing now for more than a year, were stymied primarily because of a "conspiracy of silence" within UPDF. Under the Commission of Inquiry Act, the Commission has the power to conduct searches and compel the production of documents and testimony.

134. The Panel made evidence available to the Commission, including copies of 12 letters and a statement from a witness, together with five original audiotapes containing testimony given by a primary source. These materials represent only a small sample of the documentation gathered by the Panel on the involvement of leading Ugandan military and senior Ugandan Government personnel. They provide evidence of criminal activity by such ranking Ugandan authorities. They show officials demanding extortionist payments and tax exonerations from Congolese rebel movements, including the UPDF Chief of Staff demanding that his vehicles transporting coltan be allowed to cross the border without paying export duties. The Panel also arranged for one of its sources to testify before the Commission at a special hearing in spite of the risk of exposure to the source. In exchange, the Porter Commission provided the Panel with copies of the testimony of certain high-ranking military officers, Government officials, private businessmen and other individuals who had appeared before it.

135. The Panel's many efforts to establish a constructive relationship with the Commission have mostly been met with attempts to dismiss its credibility. The Commission has challenged the authenticity of letters provided by the Panel that show significant payments to UPDF officers from rebel movement budgets, even when reliable witnesses have testified to their validity. It has submitted other documents signed by ranking officials to handwriting analysis and used this analysis to imply that they may be forgeries. The analysis of those documents, however, suggested that the signatures were probably genuine. During a specially arranged hearing aimed at corroborating the authenticity of certain documents transmitted by the Panel, the Porter Commission submitted one of the Panel's informants to an unusually aggressive questioning designed to frighten the individual and discredit his testimony.

136. When the Commission recalled Major General James Kazini in May 2002 to question him on the basis of documents supplied by the Panel, the UPDF military commander finally admitted that the signatures on the documents were indeed his and accepted that the documents related to his actions as the former commander of UPDF operations in the Democratic Republic of the Congo. Justice Porter commented during the questioning that General Kazini, who had consistently denied under oath any involvement in such illicit economic exploits, had perjured himself repeatedly during both that hearing and his original testimony before the Commission the previous year. The head of the Commission also conceded, according to transcripts of the hearing, that the Panel's "allegations" about General Kazini's involvement in exploitation activities, including those related to the diamond trade and tax revenues, "were actually true". Justice Porter reconfirmed these observations in meetings with the Panel, again conceding that the conclusions of the Panel's earlier reports about this officer and the involvement of UPDF in the illicit exploitation were "right". In an electronic message dated 25 May 2002, Justice Porter wrote to the Chairman of the Panel regarding the documentary evidence provided and General Kazini's second appearance before the Commission. He expressed his appreciation to the Panel, saying, "We feel, and hope you agree, that with your assistance we have at last been able to break what we have described as a conspiracy of silence within UPDF, at least in relation to diamonds and 'security payments', and we are extremely grateful to you for enabling us to do so."

137. During the Panel's last meeting with the Commission in September 2002 in Kampala, Justice Porter explained that any recommendation by the Commission to refer an individual for criminal prosecution as the result of its enquiries must first be approved by the Minister for Foreign Affairs and President Museveni. A criminal investigation would

then be necessary before the authorities could determine if grounds for prosecution existed. The Panel also understood that, in spite of the Commission's extensive investigative powers, its terms of reference restrict the scope of its enquiries into the activities of military personnel. It is not empowered to obtain military records and documents from the Defence Ministry. Nor can it conduct audits of individual officers' finances.

138. The Porter Commission's mandate has now been extended beyond that of the Panel, to 15 November 2002, allowing it the opportunity to comment on the Panel's report. In the event that the Porter Commission ignores or rejects the validity and evidentiary value of the documents provided or attempts to further discredit the Panel's work, the Chairman of the Panel requests that the Security Council authorize the Panel to respond to the Commission's report in a letter addressed to the Security Council, which would be circulated as a United Nations document.

VII. Transit and end-user trade issues

Transit countries

139. The Panel identified 11 African States through whose territory goods originating in the Democratic Republic of the Congo are likely to pass. Some are directly involved in the conflict, namely, Burundi, Rwanda, Uganda and Zimbabwe. The remaining seven are the Central African Republic, Kenya, Mozambique, the Republic of the Congo, South Africa, the United Republic of Tanzania and Zambia. The Panel submitted questions to all 11 countries and held substantive discussions with government representatives from five. The Panel enquired about relevant legislation, investigations into the flow of the commodities, measures taken to curb those flows, other possible action to be taken and those Governments' needs for assistance. Four of the 11 countries — the Republic of the Congo, Mozambique, the United Republic of Tanzania and Zimbabwe — declined to respond. The Panel later identified yet another transit point for Congolese coltan, Nigeria, and requested information about this trade. No response was received. Virtually none of the countries that responded to the Panel's questions had conducted any investigations or adopted any specific procedures for the identification or inspection of the transiting of commodities from the Democratic Republic of the Congo. The Ugandan authorities mentioned the impounding of a cargo of smuggled ivory. South African officials confirmed the seizure of a sizeable clandestine shipment of diamonds from the Democratic Republic of the Congo, but provided no details. None of the authorities in these countries gave any indication that Congolese resources traded through their territories should or could be regarded as conflict goods. Almost none of the countries proposed any meaningful measures to help curb trade in Congolese commodities that are tainted by criminality and militarization. Kenya, however, proposed the reopening of the Northern Corridor route, under the Transit Transport Coordination Authority, with the assistance of the international community.

140. Reliable sources have told the Panel that gem diamonds from Mbuji Mayi in the Democratic Republic of the Congo account for much of the phenomenal increase in diamonds transiting through Dubai in recent years. Exports from the United Arab Emirates to Antwerp increased to $149.5 million in 2001 from $4.2 million in 1998 according to the Diamond High Council's statistics. The Panel has been told of chartered flights direct from Mbuji Mayi to Dubai, and other routes via Dar es Salaam, on which illicit diamond exports have been carried. Likewise, Dubai has become a transit point for coltan from the Uganda-controlled area and a portion of the diamonds originating from Kisangani in the Rwanda-controlled area. The arms and diamond smuggler Victor Bout uses the United Arab Emirates as his permanent base, with nine of his aircraft stationed at Ra's al Khaimah International Airport.

End-user countries

141. In an effort to determine what measures might be taken at the end of the commercial chain to control the trade in resources of the Democratic Republic of the Congo and sever its links to the armed conflict, the Panel surveyed 17 end-user countries in Asia, Europe, the Middle East and North America. Many of these countries serve as secondary transit points and processing centres as well as major consumer markets. They included Belgium, China, France, Germany, India, Israel, Japan, Kazakhstan, Lebanon, Malaysia, the Netherlands, the Russian Federation, Switzerland, Thailand, the United Arab Emirates, the United Kingdom and the United States. In its requests, the Panel stressed that its aim was not to obstruct trade, but to identify mechanisms or practices that would

eliminate the costs in war and human lives that occur in the course of extracting and commercializing resources from the Democratic Republic of the Congo. In seeking these countries' views, the Panel made reference to a range of possible initiatives, while leaving open the possibility for innovation based on lessons learned from other conflict situations. Four countries did not respond: India, Kazakhstan, Malaysia and the United Arab Emirates. Few respondents commented explicitly on the role that the trade in these commodities plays in fuelling the conflict in the Democratic Republic of the Congo.

142. The responses nevertheless indicated that efforts are being stepped up to tackle the illicit trade in natural resources and that awareness is growing of the ethical responsibilities posed by conflict-driven trade in commodities. France, Japan, Israel, Thailand and the United States emphasized the adequacy of existing certificates of origin or product certification regimes in stemming the illegal trade, including the certification scheme now in the process of being implemented under the Kimberley Process. Like China, the Russian Federation stressed that its participation in the Kimberley Process is aimed at helping to sever the links between the illegal trade in rough diamonds and armed conflict, particularly in Africa. Germany stated that companies in transit and end-user countries should cease all commercial and transport activities related to the trade in resources from the region, "unless their counterparts are able to provide clearly documented certificates of origin". Most responses did not evaluate the comparative successes and failures of certification regimes in the face of highly criminalized or opaque commercial chains. Switzerland expressed the view that until the Kimberley Process certification scheme had entered into force and more experience had been gained from its implementation, it would be premature to comment on the use of such regimes in regulating the trade in commodities from certain regions. End-user countries did not specifically call for countries bordering the Democratic Republic of the Congo such as Burundi, the Republic of the Congo, Rwanda and Uganda, which also trade in rough diamonds, to join the Kimberley Process. Lebanon suggested that standardized, mandatory certificates of origin could be developed for certain precious commodities through the relevant United Nations body or bodies.

143. The Russian Federation cautioned that any proposed measures on curbing conflict-linked trade should not hinder legitimate trade in primary commodities or "impose an excessive burden on the countries participating in such trade". Several European Union members, including France and the Netherlands, observed that any measures affecting trade flows would have to be taken within the framework of the European Union and its trade regulations. Belgium and the United Kingdom stressed that the burden of ensuring transparency in commercial and financial flows or supply chains should be borne primarily by private companies and should be based on either voluntary measures or the OECD Guidelines for Multinational Enterprises. Germany echoed this, saying that it had appealed to German companies to adhere to those guidelines as well as the principles of the European Union Commission's Green Paper on Social Responsibility and the United Nations Global Compact in their business activities in the region. Germany also encouraged the Panel to continue its efforts to increase the transparency of the commercial chains for the natural resources of the Democratic Republic of the Congo, especially by intensifying its dialogue with private companies. Only Belgium suggested the possibility of imposing targeted sanctions against businesses or individuals profiting from the trade in conflict goods. The Netherlands expressed the view that the verification of commodities would be less difficult and costly if carried out at the beginning of the commercial chain.

144. Belgium, Germany and the United States also highlighted the re-establishment of the State's authority throughout the territory of the Democratic Republic of the Congo as essential to combating the illicit exploitation, and the need for capacity-building to help achieve this. Similarly, Lebanon said that the customs administration of the Democratic Republic of the Congo should be reinforced so that it could more effectively control borders, monitor trade flows and prevent smuggling.

International and regional organizations

145. The Southern African Development Community shared the view of some end-user States that existing certificates of origin were adequate for demonstrating that products had been legally produced and acquired. Customs intelligence and investigative capability for combating smuggling are still being developed within SADC. Issues of capacity-building and information-

sharing within the region will have to be addressed as this process advances.

146. The World Customs Organization informed the Panel that it had established a network of Regional Intelligence Liaison Offices, each assigned to a number of countries, to facilitate the exchange of information and cooperation within a region. The Democratic Republic of the Congo and many francophone countries in the surrounding region are attached to the Liaison Office at Douala, Cameroon. WCO observed that the use of the Liaison Office and the WCO Internet-based Customs Enforcement Network by the Douala region's members was quite low. It stressed that curbing fraudulent trade in commodities transiting through a region depends on effective communication between the countries concerned.

147. With regard to trade flows, the World Trade Organization explained in its reply to the Panel that two provisions of the 1994 GATT, a component of the WTO treaty, authorize members to take measures that otherwise would be inconsistent with GATT/WTO rules. These rules generally prohibit trade restrictions and discrimination. Articles XXI (c) and XX describe situations and policy aims permitting exceptional measures. The former, the security exception provision, refers to exceptions related to a State fulfilling its obligations under the Charter of the United Nations. This might serve as justification for Members taking action in compliance with a Security Council resolution on maintaining peace and security, commented WTO. Article XX, the provision on general exceptions, may be evoked if the measure is adopted pursuant to one or more policies listed in the article's subparagraphs. For example, subparagraph (b) refers to measures necessary to protect human life.

148. The Economic Commission for Africa concurred with Belgium that "smart sanctions" should be part of the solution to ending the illegal trade. It added that the Governments of the countries involved should also be "held accountable for the illegal activities of individuals and/or companies as well as banks that are operating in their country since they have the power to regulate them".

VIII. Observations

149. The illegal exploitation of natural resources, gross violations of human rights and a dire humanitarian situation are some of the consequences of four years of war and the lack of a central government in the Democratic Republic of the Congo with the authority and capacity to protect its citizens and resources.

150. The withdrawal of foreign forces is an important step towards ending the illegal exploitation of natural resources. Yet the necessary networks have already become deeply embedded to ensure that the illegal exploitation continues, independent of the physical presence of the foreign armies.

151. Another step towards halting the exploitation of natural resources will be the early establishment of an all-inclusive transitional government in the Democratic Republic of the Congo, which would ensure that central government control is reinstated and that viable local administrations are empowered to protect and regulate the exploitation activities to the benefit of the populace. However, it is clear that, even with the establishment of an all-inclusive government, exercising effective control over territory and natural resources would require time and would be possible only within the context of a broader framework of sound institution-building. In the interim, it is the view of the Panel that continued monitoring and reporting on the illegal exploitation of resources will at least serve to deter these activities.

152. The most important element in effectively halting the illegal exploitation of resources in the Democratic Republic of the Congo relates to the political will of those who support, protect and benefit from the networks. This may pose a great challenge, given the intricate relationships they have forged and the dependency they have developed on the profits from these activities. The war economy controlled by the three elite networks operating in the Democratic Republic of the Congo dominates the economic activities of much of the Great Lakes region. Yet the Lusaka, Pretoria and Luanda Agreements do not address this all-important economic component of the conflict.

153. Armed groups, whether foreign or Congolese, who are benefiting from these exploitation activities, should also be taken into account in efforts to halt the exploitation. Years of lawlessness and a Government incapable of protecting its citizens have allowed the armed groups to loot and plunder the country's resources with impunity. While some hide behind a

political agenda, all are pursuing illegal economic activities as a matter of survival. It is hoped that progress in the peace process, together with an effective and responsive programme of disarmament, demobilization, rehabilitation, reintegration and resettlement, would provide better alternatives to the armed groups. This would require the necessary funding for reintegration programmes and security assurances for those who are not wanted for war crimes or acts of genocide. The international community must, therefore, provide the assistance to these programmes, invest in publicizing them and encourage the armed groups to participate.

154. The Panel is hoping that this report will contribute to a shift in policies — in the light of the recent encouraging political and military developments on the ground — that will bring the exploitation of resources back to a legally acceptable level.

IX. Conclusions

155. An embargo or a moratorium banning the export of raw materials originating in the Democratic Republic of the Congo does not seem to be a viable means of helping to improve the situation of the country's Government, citizens or natural environment. Massive technical and financial assistance for the population would be required to offset the humanitarian impact of such restrictive measures. At the same time, if the Panel in its report does not recommend any punitive measures to curb the illegal exploitation and trade originating in the Democratic Republic of the Congo, this will only encourage a continuation of the exploitation by different criminal organizations. This could easily lead to an increase in these activities. There must be sustained efforts to deter illicit and illegal exploitation.

156. Restrictive measures nevertheless need to be taken vis-à-vis the role of companies and individuals involved in arms supply and resource plundering. The international and multinational dimension of these illegal activities is very important. Ethical and transparent business practices are needed to combat these illegal activities.

157. The establishment of a transitional government in Kinshasa should be accompanied by four elements, namely, the disarmament of all rebel groups in the Democratic Republic of the Congo; phased withdrawal of foreign troops; measures to drastically curb the illegal exploitation and encourage legal exploitation; and the application of serious leverage through multilateral pressures and incentives. To these elements must be added a dynamic monitoring process. All must be phased, interlinked and ongoing. This dynamic package would not only advance the peace process in the Democratic Republic of the Congo, but would also lead to a peaceful and final settlement of the exploitation issue, ensuring that legal modes of resource exploitation prevail. The first two elements seem to be finding their way to an interlinked and phased implementation as a result of the recent agreements signed in Pretoria and Luanda. The third element is intrinsically linked with the fourth, namely applying leverage through incentives and disincentives.

158. In order to readjust the present process of illegal exploitation and encourage legal exploitation, which could contribute to the economic stability of all parties, there is a need to apply forceful disincentives and incentives. These should be monitored through a proactive monitoring body. Until now, all the parties involved in the illegal exploitation have had no strong incentive to alter the economic status quo. It is necessary, therefore, to find measures that address their fears of losing revenues. Such measures will however be effective only if a political process is undertaken simultaneously.

159. Reconstructing and reorienting the region's economies are essential to peacemaking and peace-building. The Panel believes that a peace dividend in the form of economic incentives should be emphasized by the international community in order to promote the parties' adherence to the peace agreements and encourage confidence-building. The Panel also proposes in its recommendations that a set of disincentives be enacted to apply pressure in the case of non-compliance with the agreements.

160. Many of the Panel's conclusions about the economic roots and consequences of the conflict have been echoed in ideas associated with the proposals for an international conference on peace, security, democracy and sustainable development in the Great Lakes region. Recently signed agreements may signal that the time for organizing this conference is approaching. Such a conference would be an ideal forum to address the need to reorient the regional trading system to post-conflict imperatives and for negotiating the framework of a multilateral agreement

to carry this out. This reorientation will require providing the incentives and means to promote regional economic integration, which would marginalize criminal and military-driven trade in favour of legitimate commercial development that is transparent and growth-oriented. Supporting regional economic integration could help to gradually draw the countries involved in the conflict closer and act as a barrier to future outbreaks of armed conflict.

X. Recommendations

Peace dividend

161. In the light of the new dynamic and progress created by the signing of the political and military agreements in Sun City, Pretoria and Luanda, the Panel believes that a set of agreements or initiatives on reconstruction and sustainable development are needed to address the economic dimension of the Lusaka peace process and provide incentives for continuing progress. The first set of initiatives could be for quick-disbursing aid for the Democratic Republic of the Congo and the other Great Lakes countries involved in the conflict, for reconstruction and rehabilitation programmes, aimed at creating jobs, rebuilding infrastructure and improving conditions for local populations, notably in the areas of education, health, water and sanitation.

162. Regional economic integration and trade could be the focus of an agreement or set of agreements that could emerge from discussions regionally, including at the international conference on peace, security and sustainable development. The international community, in particular the United Nations and the developed countries that have actively supported the signing of the recent agreements, can take a leading role in convening this conference.

Institutional reforms

Capacity-building for the State institutions

163. Reconstructing and reforming the State institutions of the Democratic Republic of the Congo, particularly the State's capacity to secure its territory and borders, is the counterpoint to the withdrawal of the foreign troops. The main purpose should be to enable the legitimate transitional government to control the country's natural resources and borders without foreign intervention.

164. A fast-track programme is needed to retrain and professionalize the entire national security apparatus, including military and intelligence, law enforcement and regulatory bodies, such as customs, revenue authority, immigration and natural resources agencies. This process will require extensive international aid and careful monitoring of progress over a sustained period. There is a need for multilateral and bilateral donors, together with international organizations, to coordinate their efforts, draw on best practices developed during other post-conflict transitions and encourage the participation of all sectors of Congolese society.

165. The priority areas for reform and the strengthening of national or central institutions would include:

- Combating the widespread criminalization in the Democratic Republic of the Congo
- Enhancing scrutiny and transparency
- Increasing accountability and ending the impunity enjoyed by high-ranking officials and various levels of civil servants
- Building regulatory capacity and controls
- Professionalizing institutions and their personnel, including ensuring their independence and neutrality
- Reforming customs and revenue administrations, such as the Office des douanes et accises and the Direction générale des recettes administratives, judiciaires, domaniales et de participations
- Building the capacity of ministries and specialized agencies related to natural resources such as the Centre d'évaluation, d'expertise et de certification des matières précieuses and the Institut congolais pour la conservation de la nature.

Promoting legitimate and accountable civil administrations in the eastern Democratic Republic of the Congo

166. The Panel recommends that a comprehensive economic and social development programme in the eastern Democratic Republic of the Congo be set up to

assist a transition to a legitimate civilian administration with a capable security and law-enforcement apparatus. Such a programme may be partially financed from the substantial assistance commitments pledged by the European Union, the World Bank and the International Monetary Fund for post-conflict reconstruction in the Democratic Republic of the Congo.

Good governance in the Democratic Republic of the Congo and its compliance with peace agreements

167. The Panel regards the quick disbursal of development assistance as essential to addressing the pressing social and economic needs of the Democratic Republic of the Congo. However, it also recommends that disbursal should be contingent on the adherence of the Government to the peace agreements it has signed with Rwanda and Uganda, its commitment to democratization and its progress in curbing the illegal exploitation of its natural resources.

Reform of natural resource sectors

168. Reforms of the mining and the forestry sectors should include the review of all concessions and contracts signed during both wars. The resolution adopted during the inter-Congolese dialogue, establishing a special commission to examine the validity of economic and financial agreements, could serve as the framework for this process. On the basis of the Panel's findings, this could also target all informal agreements on the awarding of concessions and the implementation of contracts. The international community, including the World Bank, the International Finance Corporation and UNDP, could collaborate closely with this commission and provide the support necessary for it to carry out its work in a thorough and objective manner. This could include expert advice and technical assistance, part of which could be focused on raising long-term international investment for the rehabilitation of the mining and forestry sectors and sustainable revenue generation.

Financial and technical measures

169. In the event of non-compliance with the recently signed agreements, and the continuing illicit and illegal exploitation of the natural resources of the Democratic Republic of the Congo, the Panel recommends that a series of measures be taken against the concerned parties.

Role of Governments

170. The Governments of the countries where the individuals, companies and financial institutions that are systematically and actively involved in these activities are based should assume their share of the responsibility. The Governments have the power to regulate and sanction those individuals and entities. They could adapt their national legislation as needed to effectively investigate and prosecute the illegal traffickers. In addition, the OECD Guidelines offer a mechanism for bringing violations of them by business enterprises to the attention of home Governments, that is, Governments of the countries where the enterprises are registered. Governments with jurisdiction over these enterprises are complicit themselves when they do not take remedial measures.

Reducing official development assistance

171. The Panel's exchange of views with bilateral and multilateral organizations, as well as a review of applicable agreements such as the Cotonou Convention, indicates that there is ample justification for donors to respond to a Security Council resolution — which might be necessary — which would propose certain reductions in official aid to promote peace and good governance.

172. Measures should also be aimed at making aid disbursements to Burundi, Rwanda, Uganda and Zimbabwe conditional on their compliance with the relevant agreements in the Lusaka peace process and on verifiable measures taken to halt the illegal and illicit exploitation of the resources of the Democratic Republic of the Congo which can help to achieve multiple objectives. Non-compliance would automatically trigger a review and reduction of assistance programmes for those countries. It should be stipulated that reductions of aid disbursements are to be applied to institutional budget support, stabilization lending or project lending and not sector-specific allocations.

173. Implementation would proceed in three stages:

(a) A brief grace period to permit the verification of the compliance of all the parties to the conflict;

(b) An initial period when aid disbursements are reduced by a modest percentage if the countries involved have not met withdrawal targets;

(c) A subsequent period during which the aid is proportionately reduced at regular increases at regular intervals unless troop withdrawals and compliance with the peace agreements meet the required standards.

Restrictions on business enterprises and individuals

174. The Panel has compiled an extensive list of business enterprises and individuals whose involvement in the commercial activities of the three elite networks active in the Democratic Republic of the Congo is well documented. At this time it is however, focusing its recommendations regarding restrictive measures on only a small number of enterprises (annex I) and individuals (annex II) — many of them cited in this report — as a result of the wealth of information and documentary evidence gathered on them by the Panel.

175. By contributing to the revenues of the elite networks, directly or indirectly, those companies and individuals contribute to the ongoing conflict and to human rights abuses. More specifically, those business enterprises are in violation of the OECD Guidelines for Multinational Enterprises. Therefore, the Panel recommends that the Security Council consider imposing certain restrictions on a selected number of business enterprises and individuals involved in criminal and illicit exploitation that are identified in this report. The list emphasizes the implication of foreign enterprises as well as nationals of the Democratic Republic of the Congo in the economic exploitation.

176. There could be a short grace period of four to five months before the restrictions set out below are applied, during which the targeted entities and individuals would have the opportunity to prove that they have ceased all involvement in the exploitation activities. The restrictive measures could include:

(a) Travel bans on selected individuals identified by the Panel;

(b) Freezing of the personal assets of persons involved in illegal exploitation;

(c) Barring selected companies and individuals from accessing banking facilities and other financial institutions and from receiving funding or establishing a partnership or other commercial relations with international financial institutions.

Adherence of business enterprises to the OECD Guidelines

177. The Panel has drafted another list of business enterprises (annex III) which, in the view of the Panel, are in violation of the OECD Guidelines for Multinational Enterprises. Countries which are signatories to those Guidelines and other countries are morally obliged to ensure that their business enterprises adhere to and act on the Guidelines.

178. The OECD Guidelines outline a procedure for bringing violations of the Guidelines to the attention of the Governments of the States where the business enterprises are registered. Home Governments have the obligation to ensure that enterprises in their jurisdiction do not abuse principles of conduct that they have adopted as a matter of law. They are complicit when they do not take remedial measures. The monitoring body, as described below, will contribute to implementing these procedures by verifying and updating its list of business enterprises in violation of the OECD Guidelines and transmitting evidence of those violations to the OECD National Contact Points in the home Governments of the enterprises.

Transit trade and regional organizations

179. To promote post-conflict peace-building programmes, the Panel recommends that the international community support the following confidence-building measures:

(a) Encouraging the East African Community, composed of Kenya, Uganda and the United Republic of Tanzania, to include Rwanda and Burundi in its membership;

(b) Helping to re-establish historical and legal trading patterns, for example by reopening the Northern Corridor transit route to legal trade among the Democratic Republic of the Congo, Burundi, Rwanda, Uganda and Kenya;

(c) Assisting the relevant African regional trade organizations to improve their customs and trade monitoring mechanisms. These might include juxtaposed border control facilities, harmonization of controls to promote the system and use of certificates

of origin and destination, and assistance in developing national legislation for monitoring financial flows related to trade;

(d) Improving air traffic control services in the Great Lakes region. The Technical Cooperation Programme of ICAO can provide assistance to States in the region that need to improve their air traffic control service.

Regulating commodity trade from conflict areas

180. Specialized industry organizations such as the Tantalum Niobium International Study Centre, the International Gold Council and the International Coffee Federation could be requested, in cooperation with the United Nations Conference on Trade and Development, to monitor trade in commodities from conflict areas. This would result in a reliable body of data that includes information relating to the evacuation of commodities, transit routes through neighbouring countries and information on end-users and their operations. The data produced could be the basis of industry policing of those individuals, companies and financial institutions that trade in commodities from conflict areas. The data could also serve in the event that a moratorium is called for on the illegal trade in commodities originating in the Democratic Republic of the Congo, such as coltan.

Kimberley Process

181. All Member States where trade in rough diamonds is being carried out should join the Kimberley Process. Universal participation will make the Kimberley Process a more effective instrument.

182. Diamond-producing countries should apply internal controls from extraction to exportation. Consideration should be given to establishing a set of internationally agreed upon standards for this process. A specialized enforcement organization within each member country needs to be formed that has the authority, knowledge and specialized training necessary to ensure the effectiveness of the Kimberley Process.

183. A permanently staffed secretariat should be created with the responsibility of coordinating the implementation of the Kimberley Process.

Protecting timber and forestry products

184. The Panel recommends that Member States actively support the efforts by intergovernmental and non-governmental organizations at both the international and regional levels to halt illegal logging and to develop an international definition of "conflict timber".

Trade in endangered species

185. Trade involving endangered species of wild fauna and flora taken from protected areas of the eastern Democratic Republic of the Congo is another activity in which elements of the criminal networks are engaged. Member States are asked to support the Task Force established under the Lusaka Agreement on Cooperative Enforcement Operations Directed at Illegal Trade in Wild Fauna and Flora by (a) strengthening their national legislation to reinforce the powers of investigation and prosecution of the Task Force's personnel and (b) ensuring that their National Bureaus, established under that Agreement, intensify their investigations into the criminal traffic in endangered species of wild animals and plants as outlined by CITES.

Monitoring process

186. There is a need for a monitoring process that continues to scrutinize the situation in the Great Lakes region to ensure that exploitation activities are significantly curbed. A monitoring body, which the Security Council may consider establishing, could report to the Security Council on a regular basis on its findings, including recommendations about further action to halt activities that violate the Council's decisions. The Panel's expertise could be helpful in this regard.

187. The monitoring body could report to the Security Council on any State or company that might be involved in the illegal exploitation of natural resources. The monitoring body could recommend to the Council that major multilateral institutions and bilateral donors review and reduce the financial assistance programmes of any State found to be involved in these illegal activities. It could recommend to the Council that any company found to be implicated in the illegal economic exploitation be added to or kept on the list of those enterprises subject to financial and travel restrictions.

In addition, the monitoring body could collaborate closely with national officials, including from the Central Bank of the Democratic Republic of the Congo, the Office des douanes et accises (customs administration) and the Direction générale des recettes administratives, judiciaires, domaniales et de participations (revenue administration), the Ministry of Mines and Hyrdocarbons, the State mining enterprises and private mining and mineral companies, in order to update information on how capacity-building and reforms are affecting the exploitation activities. In carrying out these tasks, the monitoring body could coordinate with the international financial institutions, the African Union, and the Economic Commission for Africa.

188. The Panel would also recommend that the monitoring body, with the adequate expertise and resources, track the following:

(a) Possible reductions in the level of illegal exploitation;

(b) The implementation of possible travel bans and the freezing of assets;

(c) Ongoing investigations into the illicit commerce in minerals, timber and endangered species of fauna and flora. The monitoring body could also collaborate further on some of these investigations;

(d) The sectors of the economy that have been affected by the exploitation activities;

(e) The impact on the humanitarian situation in the Democratic Republic of the Congo and the region;

(f) The reduction in violent conflict and the maintenance of civil order in the eastern Democratic Republic of the Congo, as well as the viability of local administrations and institutions related to the mandate of the monitoring body which might be adopted by the Council.

(*Signed*) Mahmoud **Kassem**
Chairman

(*Signed*) Jim **Freedman**

(*Signed*) Mel **Holt**

(*Signed*) Bruno **Schiemsky**

(*Signed*) Moustapha **Tall**

(*Signed*) Patrick **Smith**

Annex I

Companies on which the Panel recommends the placing of financial restrictions

	Name	*Address*	*Business*	*Principal officers*	*Comment*
1	AHMAD DIAMOND CORPORATION	ANTWERP BELGIUM	Diamond trading	Mr. AHMAD Imad	
2	ASA DIAM	ANTWERP BELGIUM	Diamond trading	Mr. AHMAD Ali Said	
3	BUKAVU AVIATION TRANSPORT	DRC	Airline company	Mr. BOUT Victor	
4	BUSINESS AIR SERVICE	DRC	Airline company	Mr. BOUT Victor	
5	COMIEX-CONGO	KINSHASA DRC		Mr. KABASELE TSHINEU Frederic	
6	CONGO HOLDING DEVELOPMENT COMPANY	DRC	Trading and exploitation of natural resources DRC	Mr. Félicien RUCHACHA BIKUMU Mrs. Gertrude KITEMBO	
7	CONMET	UGANDA and DRC	Coltan trading	Mr. Salim Saleh Mr. and Mrs. PISKUNOV	
8	COSLEG	ZIM and DRC	Joint-venture COMIEX and OSLEG	Mr. KABASELE TSHINEU Frédéric ZVINAVASHE Gava MUSUNGWA Vitalis	
9	EAGLE WINGS RESOURCES INTERNATIONAL	PO BOX 6355 Kigali, Rwanda	Exploitation coltan from the DRC	Mr. Alfred RWIGEMA Mr. Anthony MARINUS Mr. Ronald S. SMIERCIAK	Tel: +250.51.17.25
10	ENTERPRISE GENERAL MALTA FORREST		Exploitation Cobalt, Copper in DRC	Mr. George FORREST	

	Name	*Address*	*Business*	*Principal officers*	*Comment*
11	EXACO		Exploitation Cobalt, Copper in the DRC		
12	GREAT LAKES GENERAL TRADE	BP 3737 KIGALI, RWANDA	Mineral trading	Maj Dan MUNYUZA Mr. E. GATETE Mr. Steven K. AKHIMANZI	Tel/Fax: +250.78.792
13	GREAT LAKES METALS	Kigali, Rwanda	Mineral trading		
14	GROUP GEORGE FORREST		Exploitation Cobalt and Copper	Mr. George FORREST	
15	MINERALS BUSINESS COMPANY	Boulevard Du 30 Juin, Immeuble ex-SCIBE, Kinshasa, DRC	Mineral trading	Mr. KABASELE TSHINEU Frederic Lt General ZVINAVASHE Gava Musungwa Vitalis Mr. Charles DAURAMANZI	
16	OKAPI AIR ODESSA AIR	Uganda	Airline company	Mr. BOUT Victor	
17	OPERATION SOVEREIGN LEGITIMACY (OSLEG) Pvt Ltd	Harare, Zimbabwe	Commercial interests ZIM in DRC	Lt General ZVINAVASHE Gava Musungwa Vitalis	
18	ORYX NATURAL RESOURCES	DRC	Diamond exploitation in the DRC	Mr. AL-SHANFARI Thamer Said Ahmed	
19	RWANDA ALLIED PARTNERS	Kigali, Rwanda	Mineral trading	Mr. Hadji OMARI Mr. Simba MANASE	
20	RWANDA METALS	Kigali, Rwanda	Mineral trading		
21	SARACEN UGANDA Ltd	Uganda	Security Company	Lt General (Rtd) Salim Saleh Mr. Heckie HORN	

	Name	*Address*	*Business*	*Principal officers*	*Comment*
22	SIERRA GEM DIAMONDS	ANTWERP BELGIUM	Diamond trading	Mr. AHMAD Said Ali Mr. AHMAD Hassan Mr. AHMAD Nazem	
23	TANDAN GROUP	SOUTH AFRICA	Holding	Mr. Niko SHEFER	
24	THORNTREE INDUSTRIES (Pvt) Ltd		Provides capital to MBC	Mr. Niko SHEFER	
25	TREMALT Ltd		Exploitation cobalt and copper	Mr. John Arnold BREDENKAMP	
26	TRINITY INVESTMENT GROUP	DRC and UGANDA	Exploitation resources and tax fraud	Mr. NGOLA Sam General KAZINI	
27	TRIPLE A DIAMONDS	ANTWERP BELGIUM	Diamond trading	Mr. AHMAD Moussa Ahmad Mr. AHMAD Ahmad Ali	
28	TRISTAR	Kigali, Rwanda	Holding FPR		
29	VICTORIA GROUP	DRC and UGANDA	Exploitation resources and tax fraud	Lt General (Rtd) Salim Saleh Mr. KHANAFER Nahim	

Annex II

Persons for whom the Panel recommends a travel ban and financial restrictions

	Last name	*First name*	*Alias*	*Date of birth*	*Passport number*	*Designation*
1	AHMAD	Ali Said		01.03.1959		Businessman
2	AHMAD	Ahmad Ali		01.01.1929		
3	AHMAD	Imad				Businessman
4	AHMAD	Said Ali		09.04.1935		Businessman
5	AHMAD	Hassan		21.05.1957		Businessman
6	AHMAD	Moussa Ahmad				
7	AHMAD	Nazem		05.01.1965		Businessman
8	AKHIMANZA	Steven K.				Businessman
9	AL-SHANFARI	Thamer Said Ahmed		03.01.1968	00000999 (Oman)	Chairman & Managing Director ORYX Group and ORYX Natural Resources
10	BOUT	Victor Anatoljevitch	BUTT, BONT, BUTTE, BOUTOV, SERGITOV Vitali	13.01.1967 or ???	21N0532664 29N0006765 21N0532664 21N0557148 44N3570350	Dealer and transporter of weapons and minerals
11	BREDENKAMP	John Arnold		11.08.1940		Businessman
12	BURUNDI					Colonel UPDF
13	DAURAMANZI	Charles				Shareholder MBC
14	ENGOLA	Sam				Businessman
15	FORREST	George A.				Businessman
16	GATETE	Edward				Officer RPA; Operation Congo Desk
17	HORN	Heckie				Manager Saracen Uganda Ltd
18	KABANDA	Emmanuel				Officer RPA; Operation Congo Desk
19	KABAREBE	James				Chief of Staff RPA; Former Chief of Staff DRC; in charge of Congo Desk
20	KABASELE TSHINEU	Frédéric				Manager COMIEX, representative of COSLEG
21	KALUME NUMBI	Denis				General, shareholder SENGA SENGA
22	KARIM	Peter				Officer UPDF
23	KATUMBA MWANKE	Augustin				Minister of Presidency, DRC

	Last name	*First name*	*Alias*	*Date of birth*	*Passport number*	*Designation*
24	KAZADI NYEMBWE	Didier				Director Agence National de Renseignements DRC
25	KAZINI	James				Chief of Staff, Maj. General UPDF
26	KHANAFER	Nahim				Businessman
27	KIBASSA MALIBA					Politician, former Minister of Mines, shareholder SENGA SENGA
28	KITEMBO	Gertrude				Businesswoman
29	KONGOLO	Mwenze				Minister DRC, shareholder SENGA SENGA
30	MANASE SIMBA					Businessman
31	MAWAPANGA	Mwana Nanga				Ambassador DRC in Harare
32	MAYOMBO	Nobel				Chief Military Intelligence (CMI) in Uganda
33	MNANGAGWA DAMBUDZO	Emmerson				Speaker of Parliament ZIMBABWE
34	MOYO	Mike				Wing Commander ZDF
35	MOYO	Sibusio				Bd-Gen (Rtd) ZDF
36	MUAMBA NOZI	Richard	MWAMBA NOZY			Congolese diamond trader; Counterfeiter
37	MUNYUZA	Dan				Colonel RPA; In charge of security DRC (96-98)
38	MWENZE KONGOLO					Minister National Security, DRC
39	NUMBI KALUME	Denis				Minister of Planning and Reconstruction DRC
40	NZIZA	Jack				Officer RPA
41	OKOTO LOLAKOMBE	Jean-Charles				PDG MIBA
42	OMARI HADJI					Businessman
43	OTAFIRE KAHINDA					Colonel UPDF
44	MARINUS	Anthony				Manager Eagle Wings
45	PISKUNOV	Anatol				Businessman
46	PISKUNOVA	Valentina				Businesswoman
47	RUCHACHA BIKUMU	Felicien				Businessman
48	RUPRAH	Sanjivan	Samir Nasr Medhi Khan	09.08.1966	D-001829-00	Businessman
49	RWIGEMA	Alfred				Manager Eagle Wings
50	SALIM SALEH		AKANDWA NAHO Caleb			Lt General (Ret.) UPDF

	Last name	*First name*	*Alias*	*Date of birth*	*Passport number*	*Designation*
51	SHEFER	Niko	Nico	25.12.1950	7616225 (Israel) 6651101 (Israel)	Businessman
52	SMIERCIAK	Ronald S.				Manager Eagle Wings
53	YUMBA MONGA					Manager GECAMINES
54	ZVINAVASHE GAVA MUSUNGWA	Vitalis				Lt General ZDF, Rep. of COSLEG, shareholder MBC

Annex III

Business enterprises considered by the Panel to be in violation of the OECD Guidelines for Multinational Enterprises

	Name of company	*Business*	*Country*	*Country signatory of OECD Guidelines*
1	AFRICAN TRADING CORPORATION Sarl	Trading of natural resources from DRC	SOUTH AFRICA	NO
2	AFRIMEX	Coltan trading	UK	YES
3	AHMAD DIAMOND CORPORATION	Diamond trading	BELGIUM	YES
4	A.H. PONG & Sons	Import-Export	SOUTH AFRICA	NO
5	A. KNIGHT INTERNATIONAL Ltd	Assaying	UK	YES
6	A & M MINERALS and METALS Ltd	Trading minerals	UK	YES
7	ALEX STEWART (Assayers) Ltd	Assaying	UK	YES
8	AMALGAMATED METAL CORPORATION Plc	Trading coltan	UK	YES
9	AMERICA MINERAL FIELDS (AMFI)	Mining	USA	YES
10	ANGLO AMERICAN Plc	Mining	UK	YES
11	ANGLOVAAL MINING Ltd	Mining	SOUTH AFRICA	NO
12	ARCTIC INVESTMENT	Investment	UK	YES
13	ASA DIAM	Diamond trading	BELGIUM	YES
14	ASA INTERNATIONAL		BELGIUM	YES
15	ASHANTI GOLDFIELDS	Mining	GHANA	NO
16	AVIENT AIR	Private military company	ZIMBABWE	NO
17	BANRO CORPORATION	Mining	SOUTH AFRICA	NO
18	BARCLAYS BANK	Banking	UK	YES
19	BAYER A.G.	Chemical industry	GERMANY	YES
20	B.B.L.	Banking	BELGIUM	YES
21	BELGOLAISE	Banking	BELGIUM	YES

	Name of company	*Business*	*Country*	*Country signatory of OECD Guidelines*
22	CABOT CORPORATION	Tantalum processing	USA	YES
23	CARSON PRODUCTS	Commercialization of resources of the DRC	SOUTH AFRICA	NO
24	CHEMIE PHARMACIE HOLLAND	Financial and logistical support to EWRI	NETHERLANDS	YES
25	COGECOM	Coltan trading	BELGIUM	YES
26	C. STEINWEG NV	Freight Forwarders	BELGIUM	YES
27	DARA FOREST	Timber exploitation	THAILAND	NO
28	DAS AIR	Airline company	UK	YES
29	DE BEERS	Diamond mining and trading	UK	YES
30	DIAGEM BVBA	Diamond trading	BELGIUM	YES
31	EAGLE WINGS RESOURCES INTERNATIONAL	Exploitation coltan from the DRC	USA	YES
32	ECHOGEM	Diamond trading	BELGIUM	YES
33	EGIMEX		BELGIUM	YES
34	ENTREPRISE GENERALE MALTA FORREST	Construction, Mining, Trading	DRC	NO
35	EUROMET	Coltan trading	UK	YES
36	FINCONCORD SA	Coltan trading from DRC	SWITZERLAND	YES
37	FINMINING	Coltan trading from DRC	SAINT KITTS	NO
38	FIRST QUANTUM MINERALS	Mining	CANADA	YES
39	FLASHES OF COLOR	Diamond trading	USA	YES
40	FORTIS	Banking	BELGIUM	YES
41	GEORGE FORREST INTERNATIONAL AFRIQUE	Management	DRC	NO
42	HARAMBEE MINING CORPORATION	Mining	CANADA	YES
43	H.C. STARCK GmbH & Co KG	Processing coltan	GERMANY	YES
44	IBRYV AND ASSOCIATES LLC	Diamond trading	SWITZERLAND	YES

	Name of company	*Business*	*Country*	*Country signatory of OECD Guidelines*
45	INTERNATIONAL PANORAMA RESOURCES Corp	Mining	CANADA	YES
46	ISCOR	Mining	SOUTH AFRICA	NO
47	JEWEL IMPEX Bvba	Diamond trading	BELGIUM	YES
48	KABABANKOLA MINING COMPANY	Mining	ZIMBABWE	NO
49	KEMET ELECTRONICS CORPORATION	Capacitor manufacture	USA	YES
50	KHA International AG	Minerals trading and exploitation	GERMANY	YES
51	KINROSS GOLD CORPORATION	Mining	USA	YES
52	K & N	Project development	BELGIUM	YES
53	KOMAL GEMS NV	Diamond trading	BELGIUM	YES
54	LUNDIN GROUP	Mining	BERMUDA	NO
55	MALAYSIAN SMELTING CORPORATION	Coltan processing	MALAYSIA	NO
56	MASINGIRO GmbH	Minerals trading	GERMANY	YES
57	MELKIOR RESOURCES Inc	Mining	CANADA	YES
58	MERCANTILLE CC	Trading in natural resources from DRC	SOUTH AFRICA	NO
59	MINERAL AFRIKA Limited	Trading in natural resources from DRC	UK	YES
60	NAC KAZATOMPROM	Tantalum processing	KAZAKHSTAN	NO
61	NAMI GEMS	Diamond trader	BELGIUM	YES
62	NINGXIA NON-FERROUS METALS SMELTER	Tantalum processing	CHINA	NO
63	OM GROUP Inc	Mining	USA	YES (USA)
			FINLAND	YES (FINLAND)
64	OPERATION SOVEREIGN LEGITIMACY (OSLEG) Pvt Ltd	Commercial interests ZIMBABWE in the DRC	ZIMBABWE	NO

	Name of company	*Business*	*Country*	*Country signatory of OECD Guidelines*
65	ORION MINING Inc	Mining	SOUTH AFRICA	NO
66	PACIFIC ORES METALS AND CHEMICALS Ltd	Coltan trading	HONG KONG	NO
67	RAREMET Ltd	Coltan trading from DRC	SAINT KITTS	NO
68	SARACEN	Security company	SOUTH AFRICA	NO
69	SDV TRANSINTRA	Transport	FRANCE	YES
70	SIERRA GEM DIAMONDS	Diamond trading	BELGIUM	YES
71	SLC GERMANY GmbH	Coltan transport	GERMANY	YES
72	SOGEM	Coltan trading	BELGIUM	YES
73	SPECIALITY METALS COMPANY SA	Coltan trading	BELGIUM	YES
74	STANDARD CHARTERED BANK	Banking	U.A.E.	NO
75	SWANEPOEL	Construction	SOUTH AFRICA	NO
76	TENKE MINING CORPORATION	Mining	CANADA	YES
77	THORNTREE INDUSTRIES (Pvt) Ltd	Provides capital to MBC	ZIMBABWE	NO
78	TRACK STAR TRADING 151 (Pty) Ltd	Exploitation and trading minerals DRC	SOUTH AFRICA	NO
79	TRADEMET SA	Coltan trading	BELGIUM	YES
80	TREMALT Ltd	Mining	British Virgin Islands	NO
81	TRINITECH INTERNATIONAL Inc	Coltan trading and exploitation	USA	YES
82	TRIPLE A DIAMONDS	Diamond trading	BELGIUM	YES
83	UMICORE	International Metals and Materials Group	BELGIUM	YES
84	VISHAY SPRAGUE	Capacitor manufacture	USA and ISRAEL	YES (USA) NO (ISRAEL)
85	ZINCOR	Mining	SOUTH AFRICA	NO

Annex IV

Countries visited and representatives of Governments and organizations interviewed

The Panel wishes to express its deep appreciation to the Government officials, diplomats, United Nations agencies, donor institutions, non-governmental organizations, civil society groups, journalists, commercial operators and others with whom it met and who have assisted in making possible the present report.

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Austria

International organizations

United Nations Office for Drug Control and Crime Prevention

Belgium

Government officials

Inter-Ministerial Ad Hoc Working Group on the Illegal Exploitation of the Natural Resources of the Democratic Republic of the Congo

Parliamentary Inquiry Commission on the Illegal Exploitation of the Natural Resources of the Democratic Republic of the Congo

State representatives

European Union Commission

Others

Arslanian Frères

International Peace Information Service

Sibeca

Sogem mineral trading company (division of Umicore)

Tantalum Niobium International Study Center

Vrije Universiteit Brussel

Burundi

Government officials

Minister of Defence

Minister of Energy and Mines

Minister of Finance

Minister of Foreign Affairs

Department of Customs (Ministry of Finance)

State representatives

Embassy of Belgium

Embassy of France

International organizations

Acting Special Representative of the Secretary-General in Burundi

Office for the Coordination of Humanitarian Affairs

UNDP

UNHCR

UNICEF

Office of the United Nations High Commissioner for Human Rights in Burundi

Others

Affimet

ASYST mineral trading company

Comptoir minier des exploitations du Burundi (COMEBU)

HAMZA mineral trading company

Central African Republic

Government officials

Min stry of Economy

Ministry of Equipment, Transport and Settlement

Ministry of Finance and Budget

Minister of Mines, Energy and Hydraulics

Minister of Trade and Industry

Department of Customs

State representatives

Embassy of the Democratic Republic of the Congo

Embassy of France

European Union

International organizations

Representative of the Secretary-General in the Central African Republic

ASECNA

UNHCR

UNDP

Democratic Republic of the Congo

Government officials

Minister of Defence

Minister of Foreign Affairs

Minister of Land Affairs, Environment and Tourism

Minister of Planning and Reconstruction

Vice-Minister of Foreign Affairs

Vice-Minister of Mines

Deputy Chief of Staff of the FAC

Governor of the Central Bank

Governor of Equateur Province

Governor of Katanga

Governor of Mbuji Mayi

Vice-Governor, in charge of the Economy, Finance and Development, Equateur Province

Centre d'évaluation, d'expertise et de certification

Comité interministériel de "Small Scale Mining"

Générale des carrières et des mines (Gécamines)

Office national des transports

Régie des voies aériennes

Société minière de Bakwanga (MIBA)

State representatives

Ambassador of Angola

Ambassador of Belgium

Ambassador of Canada

Ambassador of Germany

Ambassador of the United Kingdom of Great Britain and Northern Ireland

Ambassador of the United States of America

Belgian Consul

Embassy of Denmark

Embassy of France

European Union

International organizations

Special Representative of the Secretary-General in the Democratic Republic of the Congo

European Commission's Humanitarian Aid Office (ECHO)

FAO

GTZ

MONUC

Office for the Coordination of Humanitarian Affairs

UNDP

UNHCR

UNICEF

World Bank

World Food Programme

World Health Organization

MLC

President

Secretary-General

RCD-Goma

Vice President

Commissioner of the Interior

Governor of Kalemie

Department of Mines and Energy

Vice-Governor of Kisangani

Customs officials

RCD-K/ML

Second Vice-President

Minister of Interior

Acting Chief of Staff for the APC

Governor of Bunia

Governor of Ituri Province

Mayor of Butembo

Others

Action contre la faim

ADETE

Agro Action Allemand

Associazione per la Cooperazione Internationale e l'Ainto Umanitario

Anglican Church

Ashanti Goldfield

Association africaine des droits de l'homme (ASADHO)

Banque internationale de commerce

BEP Productique (BEPROD)

Conseil african et malgache pour l'enseignement supérieur (CAMES)

Caritas

Centre d'information et d'animation missionnaire (CIAM)

Centre d'etudes national sur le développement populaire (CENADEP)

Centre de formation, recherches en conservation forestière

Centre national d'appui au développement et à la participation populaire (CENADEP)

Church of Christ of the Congo

Comité provincial des diamantaires (CPD)

Commissions diocésaines Justice et Paix (CDPJ)

Conseil apostolique des laïques catholiques au Congo (CALCC)

Conference on Central Africa Moist Forest Ecosystems participants

Confédération de petites et moyennes enterprises du Congo (COPEMECO)

COSLEG (joint venture of COMIEX Congo and OSLEG)

Dara Forêt

Exploitation forestière, sciérie raffinage de la papaine (ENRA)

Fédération des entreprises du Congo (FEC — Kinshasa, Kisangani, Mbandaka, Beni, Goma, Gémena, Bukavu)

Fédération nationale des parents d'élèves du Congo (FNPEC)

Fédération des ONG laïques à vocation économique au Congo (FOLECO)

Forces novatrices pour l'union et la solidarité (FONUS)

Groupe de recherches et d'échanges technologiques (in Kabinda)

Groupe Lotus

Groupe musulman des droits de l'homme

GST (Gécamines labour union)

Héritiers de la justice

International Human Rights Law Group

International Rescue Committee

Inter Press Service (IPS)

JAMS

Journalistes en danger

Justice et Paix

Ligue des avocats pour les droits de l'homme

Kababankola Mining Company

Kotinne Plantation

Jardin botanique d'Eala

Maintenance, Assistance, Technique and Design

Mayi-Mayi representatives

Médecins sans Frontières (of Belgium and France)

Mennonite Church

Mouvement nationale congolais Lumumba (MNCL)

Mouvement des pionniers de l'indépendence

Mouvement populaire de la révolution (MPR)

National Commission of Experts on the illegal exploitation of the natural resources and other forms of wealth of the Democratic Republic of the Congo

National Congolese Railway Society (SNCC)

National Council of Development NGOs (CNONGD)

Nganga Plantation

Norwegian Refugee Council (NRC)

Organisation concertée des ecologistes et amis de la nature (OCEAN)

OKIMO

Oxfam

Parti démocrate et social chrétien (PDSC)

Parti lumumbiste unifié (PALU)

Pharmakina

Pole Institute

Promotion de la femme rural (PROFER)

Programme d'appui aux femmes victimes des conflits et des catastrophes

Radio Okapi

Regional Committee of Development NGOs (CRONGD)

Religious community representatives

Radio Télé Debout Kasaï (RTDK)

Save the Children

Sengamines

Shenimed Coltan Comptoir

Syndicat des exploitants alluvionnaires du diamant (APLOKA)

SOCEBO

Société civile du Congo (SOCICO)

Société de renforcement de communauté de base (SERACOB)

Solidarités

TOFEN-CONGO

TRAFCO Freight Company

UDPS representatives

UPDF Sector Commander in Bunia

UPDF Battalion Commander in Butembo

UPDF Colonel Peter Karim

Union des banques congolaises

Voix du handicape pour les droits de l'homme (VHDH)

Wildlife Conservation Society

France

Government officials

Ministry of Economy and Finance

Ministry of Foreign Affairs

Others

Air France Cargo

Germany

Government officials

Ministry of Foreign Affairs

Others

H. C. Starck

Karl-Heinz Albers Mining and Minerals Processing

Kenya

Government officials

Minister of Foreign Affairs and International Cooperation

Ministry of Defence

Ministry of Finance

Ministry of Trade and Industry

Ministry of Transport and Communications

Kenya Revenue Authority

State representatives

Ambassador of Belgium

High Commissioner of the Republic of South Africa

Ambassador of Rwanda

High Commissioner of Uganda

Belgian Ministry of Defence

German Embassy

Belgian Parliamentary Inquiry Commission

Embassy of the Democratic Republic of the Congo

Democratic Republic of the Congo National Parks representatives

Institut congolais de conservation de la nature (Ministry of Environment, Democratic Republic of the Congo)

International organizations

Special Representative of the Secretary-General for the Great Lakes Region

Special Adviser to the Special Representative of the Secretary-General for the Democratic Republic of the Congo

World Customs Organization

World Wildlife Fund

Others

Association of Cargo Airliners

Congolese Commission of National Experts

Dian Fossey Gorilla Fund

International Crisis Group

Kababankola Mining Company/Tremalt Ltd.

Kencargo

Lusaka Agreement Task Force

Martin Air

Oryx Natural Resources

Oxfam

World Vision

Republic of the Congo

Government officials

Minister of Environment

Ministry of Transport

Department of Customs (Ministry of Finance)

State representatives

Embassy of Belgium

Embassy of the Democratic Republic of the Congo

European Union

International organizations

UNDP

Rwanda

Government officials

Special Envoy of the President for the Democratic Republic of the Congo and Burundi

Office of the President of Rwanda

Minister of Foreign Affairs

Ministry of Commerce, Industry and Tourism

Customs Commission

State representatives

Ambassador of Belgium

Ambassador of France

Ambassador of the United Kingdom of Great Britain and Northern Ireland

Ambassador of the United States of America

European Union

International organizations

MONUC

UNICEF

World Bank

Others

President of RCD-Goma

Eagle Wings Resources

SDV Transintra

SOGERMI mineral trading company

South Africa

Government officials

Acting Director-General for Foreign Affairs

Department of Foreign Affairs

Department of Defence

Department of Home Affairs

Department of Minerals and Energy

Financial Intelligence Centre

National Intelligence Agency

National Intelligence Coordinating Committee

National Prosecuting Authority

National Treasury

Secretariat for Safety and Security

South African Diamond Board

South African Police

South African Revenue Service

State representatives

Ambassador of Belgium

Ambassador of France

Ambassador of the United States

High Commission of the United Kingdom of Great Britain and Northern Ireland

Others

Banro

Bateman Minerals and Metals

Centre for the Study of Economic Crime

Cobalt Metals Company

Compliance Institute

De Beers Group

DiamondWorks

Executive Outcomes

Fluxmans Attorneys

Grove Family Trust

International Institute of Security Studies

Kimberley Process Secretariat

Money Laundering Forum

Overseas Security Services

PricewaterhouseCoopers Forensic Services Division

Rand Afrikaans University

Rand Merchant Bank

SaferAfrica

STK Consulting

Tandan Holdings

Trans Hex

Ware Associates

University of South Africa at Pretoria

University of Witwatersrand/South African Institute for International Affairs

Uganda

Government officials

First Deputy Prime Minister

Acting Minister of Foreign Affairs

Minister of Defence

Chief of Staff of UPDF

Ministry of Tourism, Trade and Industry

Bank of Uganda

Department of Geological Survey and Mines

Uganda Bureau of Statistics

Uganda Civil Aviation Authority

Uganda Coffee Development Authority

Uganda Revenue Authority

State representatives

Ambassador of Belgium

Ambassador of Denmark

Ambassador of France

High Commissioner of the United Kingdom of Great Britain and Northern Ireland

Ambassador of the United States of America

Head of the Delegation of the European Union

International organizations

UNDP

UNICEF

World Bank

Others

Amnesty International

Judicial Commission of Inquiry

Saracen Uganda Ltd.

Uganda Debt Network

United Kingdom of Great Britain and Northern Ireland

Government officials

Ministry of Foreign Affairs

United States of America

Government officials

Department of Justice

State representatives

Belgian Deputy Minister of Foreign Affairs

Permanent Representatives to the United Nations, Security Council members and other Member States

International organizations

International Monetary Fund

Office of the Special Representative of the Secretary-General for Children and Armed Conflict

UNDP

Forum on Forests

Office for the Coordination of Humanitarian Affairs

World Bank

Others

Human Rights Watch

Oxfam

Winston Strawn and Partners

Zambia

Others

Non-governmental organizations

Zimbabwe

Government officials

Ministry of Mines

State representatives

British High Commission

Others

Renaissance Bank

Dozer Parts

Annex V

Abbreviations

ADB	African Development Bank
ANC	Armée nationale congolaise (army of RCD-G movement)
APC	Armée patriotique congolaise (army of the RCD-ML rebel group
ASECNA	Agence pour la sécurité de la navigation aérienne en Afrique et à Madagascar
CIDA	Canadian International Development Agency
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
coltan	columbo-tantalite
COMIEX	Compagnie mixte d'import-export
COSLEG	COMIEX-OSLEG joint venture
FAC	Forces armées congolaises
ex-FAR	former Forces armées rwandaises
GATT	General Agreement on Tariffs and Trade
Gécamines	Générale des carrières et des mines
GTZ	Deutsche Gesellschafte für Technische Zusammenarbeit (German Government agency for technical cooperation)
ICAO	International Civil Aviation Organization
IMF	International Monetary Fund
KMC	Kababankola Mining Company
MIBA	Societé minière de Bakwanga
MLC	Mouvement de libération congolais
MONUC	United Nations Organization Mission in the Democratic Republic of the Congo
OECD	Organization for Economic Cooperation and Development
OKIMO	Office des Mines de Kilo-Moto
OSLEG	Operation Sovereign Legitimacy
RCD	Rassemblement congolais pour la démocratie (Rally for Congolese Democracy)
RCD-Congo	Rassemblement congolais pour la démocratie (newly formed rebel group made up of MLC and RCD-Goma dissidents)
RCD-Goma	Rassemblement congolais pour la démocratie, based in Goma
RCD-K/ML	Rassemblement congolais pour la démocratie — Mouvement de libération, initially based in Kisangani, now headquartered in Bunia

RCD-N	Rassemblement congolais pour la démocratie-National
RPA	Rwandan Patriotic Army
SADC	Southern African Development Community
SIDA	Swedish International Development Agency
SOMIGL	Société minière des Grands Lacs
SOCEBO	Société congolaise d'exploitation du bois
UDPS	Union pour la démocratie et le progrès social
UNDP	United Nations Development Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UPDF	Uganda People's Defence Forces
USAID	United States Agency for International Development
WCO	World Customs Organization
ZDF	Zimbabwe Defence Forces